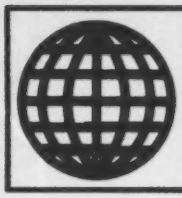

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Daily Report

Supplement

Central Eurasia

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Central Eurasia
SUPPLEMENT

FBIS-SOV-95-077-S *21 April 1995*

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Deputy Compares Russian, Mexican Economies

954E0849A Moscow DELOVOY MIR in Russian
1 Apr 95 p 1

[Interview with State Duma Deputy Sergey Stankevich, by DELOVOY MIR political commentator Boris Krotkov; place and date not given; under the "A Viewpoint" rubric: "If Detonators Are Activated"]

[FBIS Translated Text] [Krotkov] When someone wants today to describe the state of our economy, they talk first of all about the production decline, rising prices, impoverishment of a considerable part of the population, embezzlement of state property. And at the same time they say increasingly often that we are facing a catastrophe similar to that which recently has struck Mexico.

[Stankevich] An absolutely correct conclusion. What happened in Mexico? They also started with an accelerated privatization. A securities market emerged. Investment began to flow in fast. People with money from all over the world, and most often with not too much money, began to buy shares of Mexican enterprises, hoping for a quick profit. And buying not the controlling share of enterprise stock, since this would have entailed serious responsibility for the subsequent fate of the enterprise, but only parts of such shares. The purpose of such operations is clear: Either bet on the stock price to rise and quickly resell their shares, or just receive dividends without bothering to learn about the enterprise's operations. As a result, a speculative securities market emerged, which within a short period of time began to play a serious role in Mexico's financial system.

At the same time, because of a large budget deficit, the government began to cover it by issuing short-term government securities.

[Krotkov] Something like our GKO's [short-term government bonds]?

[Stankevich] Absolutely so. In Mexico these securities became the main means of dealing with the deficit. And the government got so involved playing this pyramid that it has exhausted the capacity to continue it. It reached the point where it had to pay more on its obligations than it was taking in. As soon as the detonator was activated—that is, the system was destabilized, and panic raised—people began en masse to dump blocks of stocks and government securities. And the detonator was the government crisis. The result was a catastrophe, which literally brought the Mexican economy to its knees.

The same is happening here. Many foreign investors—whom we welcome in every way possible, greet them with flowers—show a very keen interest in the stock of privatized enterprises. Naturally, not all—only those that are most viable, that have good prospects. And they are beginning to gradually buy them up. I want to emphasize: little by little, piecemeal, not the controlling share, so they do not have to carry the responsibility for the entire property. By the way, some among such properties are strategically important for Russia. In particular, regional electric power systems. And in parallel, the government begins a large-scale game with short-term government bonds. The current year's budget envisages that half of the budget deficit will be covered this way.

[Krotkov] Thank goodness, though, we apparently do not have a potential detonator. At least, the Chernomyrdin government so far is not in danger of any crisis. It seems that no political force will currently attempt it, because they understand where it may end.

[Stankevich] You are forgetting that we have parliamentary elections ahead of us, in December. There are indicators that a serious shift in the voters' preferences will take place in the elections. The communist-agrarian coalition alone may get 40-45 percent of the vote. And their union with other groups will produce an even more serious result. And what then? How will those who have bought shares of Russian enterprises react? Fearing everything, they will try to dump them as quickly as possible. By the way, these people already are concerned—I see it myself: As a deputy, I get unofficial calls every day, probing the situation, asking for some predictions....

[Krotkov] In other words, a chain reaction similar to the Mexican one may start.

[Stankevich] It may. But it looks as if Mexico has withstood the blow. And this can be explained. First, it is more capitalized than ours; second, let us be honest, Mexico's political system is healthier than Russia's; third, and this is probably the most important, the United States and the International Monetary Fund leaped to Mexico's rescue in pursuit of their own interests. They loaned it $50 billion on an emergency basis. Will they go the same length to save us? Hardly. The IMF, after long negotiations, has agreed to loan us in 1995 a little more than $6 billion, and even that on a humiliating month-by-month arrangement; and on top of that holding Chechnya over our head all the time. The Mexicans also are conducting a dirty war in one of its states, against local Indians, but nobody is holding it against them.

[Krotkov] It is hard to argue with what you say. In your opinion, what can be done in this situation?

[Stankevich] Let me get back to that a little later. Right now I want to mention another dynamite charge that already has been placed under our economy. I am talking about the problem with strategic imports of foodstuffs. It is no secret that half of the Russian food market is currently covered by imports from abroad. And in large cities this ratio is higher—up to 70 percent. Can you imagine how dangerous that is? We are talking about such things as meat, butter, dry milk, poultry, sugar, fruit.... Should anything happen, we will starve, because by now the Russian food-producing sectors are folding

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production and are on a brink of collapse. And what will there be tomorrow? By the way, do you know how much meat and poultry we import annually? A billion dollars' worth.

[Krotkov] One does not have to be a prophet to say that tomorrow will be worse. But what do you propose? Jack up import duties? This will cause a surge in prices. Which are already crazy. I mean in relation to what people earn.

[Stankevich] Now about what should be done. We need to immediately pass laws that would enable us to conduct a balanced, sensible policy. That is, a policy that would not lead to another round of price rises but at the same time will help domestic production to get on its feet.

[Krotkov] So far, however, neither you nor the Duma nor the government are doing it.

[Stankevich] True, we are not. There is a tug-of-war going on between two lobbies. One—the agrarian—demands that customs duties be raised; another—the urban—that they be lowered. I believe that an end should be put to this, especially considering that there already are legislative drafts that propose a far more strict regulation of strategic imports of foodstuffs. Within a few days, these initiatives will be submitted to the State Duma. As to the situation involving the GKO and portfolio investment, I have to admit that this situation is more difficult. But I am convinced that if the public steps in, at its prompting we can turn this situation around.

*Danish, Swedish Businesses Encounter Mafia

954Q0154A Copenhagen BERLINGSKE WEEKENDAVISEN in Danish 3-9 Mar 95 p 1

[Article by Hans Davidsen-Nielsen: "Assault on Ethics"]

[FBIS Translated Text] *Approximately 10 Danish firms pay protection money to organized crime groups in East Europe. But how far will the business sector go in a market where the Russian mafia has just liquidated a TV director?*

What does a Danish firm do when it encounters one of the famous offers one cannot refuse in the new East European market?

"When in Rome, one must do as the Romans do," says Danish Industry.

What does a Swedish firm do when it is placed in the same dilemma by the Russian mafia, which is probably behind Wednesday's murder of a newly appointed TV director general in Moscow?

"Avoid all cooperation with organized crime and try to run the firm according to the same moral and ethical rules that apply on the domestic market and in the West," says the Swedish Employers Confederation.

The private sector's central organizations in Denmark and Sweden apparently have two different views of how firms should react to demands for bribes and protection money in the former Soviet Union. At least the stated policies are opposite.

Is this an example of lack of morality in Danish business life? Or simply an expression of Swedish hypocrisy at a high level?

Henning Kirkegaard, associate professor at the School of Economics and Business Administration in Copenhagen, is interested in business ethics. After several business scandals in recent years, he thinks it is a highly relevant theme. And the Danish statements on protection money are alarming.

"Doing as the Romans do is a totally immoral attitude. But of course it is easy to be sanctimonious when one is not close to the problem oneself. The problem with immoral actions is simply that they are hard to control. They evolve. Like the clerk who starts out by borrowing 1,000 kroner from the till and ends up committing embezzlement. It is hard to draw the line when one has taken the first step," Kirkegaard said.

The ethical questions behind running a business have been intensified even more since the Iron Curtain was pulled back. An enormous market with astronomical profits has opened up. Danish sales on the Russian market alone currently add up to around 2 billion kroner a year.

But the special business conditions also create problems. Recently it was revealed that around 10 Danish firms under Danish Industry pay between 6,000 and 12,000 kroner a month in protection money to dubious security companies. They visit the firms and "offer" their assistance in the form of armed surveillance of offices, workshops, and construction sites.

The money the firms have to pay for protection is believed to go straight into the pockets of organized criminals—in other words, the mafia—for whom extermination, threats, and corruption are some of the means of extortion. Including, as we mentioned, the gunning down of 38-year-old Vladislav Listchev, who had just been appointed director general of a nationwide Russian TV station.

Firms' Choice

Danish cofinancing of organized crime in East Europe has prompted criticism from Eastern High Court Judge Hans Henrik Brydensholt, among others. As an adviser on DANIDA [Danish International Development Authority] projects that support the improvement of the judicial systems in developing countries, he knows the problems of allowing criminals to dictate morality:

"Of course it is easy for the rest of us to say that this is very bad. But it really is. Every time someone makes

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such an arrangement (protection, money, Ed.) the criminals become stronger. And the more other firms give in, the harder it is for an individual firm to resist," Brydensholt pointed out. Danish Industry will not advise Danish firms against paying protection money at this time. The organization informs firms about the terms so they do not waste more money on the East European market than is absolutely necessary. As Preben Hoffmann, market director of Danish Industry, explained:

"The local people must figure out whether the firm is signing a contract with the right protection company. We know that in the big Russian cities and to some extent also in Riga and Tallinn the mafia groups have certain districts. If the firms do not sign a contract with the right mafia group they may turn up on a later occasion."

Today Hoffmann maintains that Danish Industry will still not wave an admonitory moral finger or take the lead in protection money cases. That is up to the conscience of the individual firm.

"In principle I also think it is immoral to pay protection money. But what is the alternative? That under these conditions one will not do business? Of course one can do that. Some Danish firms have withdrawn from the East European market or those grounds. The problem is that if one always runs a business on the basis of morally correct principles, one is cut off from many markets," Hoffmann said.

Swedish Model

But according to Lennart Borg, head of the Business Planning Bureau under the Swedish Employers Confederation, there *are* alternatives to doing as the Romans do. Swedish firms are prominent in the East European market. Therefore, the organization has arranged several conferences on the problems of corruption.

"We advise all Swedish firms to avoid cooperating with organized crime. It is both morally wrong and unwise to pay protection money. Morally wrong because the firms are helping to make the mafia stronger and indirectly contributing to tax fraud. Unwise because as a rule the protection money is just the beginning. The mafia demands more and more. Soon they also want part of the turnover and profits, our experience has shown," Borg explained.

Although the policy of the Swedish employers' association is clear, of course it does not guarantee that Swedish firms do not also give in to pressure, Borg conceded. The organization urges all big firms to build up their own security systems. Among others, ABB Volvo has chosen that solution and so has the Scandinavian Tobacco Company, which is apparently the only firm in this country that has gone against the current.

*Trofimenko on Prospects for Recurrence of Cold War

954F2003A Moscow NEZAVISIMAYA GAZETA in Russian 29 Mar 95 p 3

[Article by Genrikh Aleksandrovich Trofimenko, professor of the Institute of the United States and Canada of the Russian Academy of Sciences: "A New Iron Curtain: Predictions on American Interests in Russia"]

[FBIS Translated Text] On 2 February, NEZAVISIMAYA GAZETA published information on a certain secret prediction of the United States State Department concerning the future of Russian-American relations. The prediction stated that in the interval of time between 1997 and 2004, "the establishing of a new Iron Curtain between the United States and Russia is inevitable."

"It seems," said the newspaper commentary, "that the State Department's prediction is based on the assumption of a substantial deterioration in the internal political situation in Russia and the lowering of this curtain from the East." The authors of the article, D. Gornostayev and M. Isayev, advance the proposal that the United States may begin to be "curtained," and preventively—from its side. Even the very fact of the appearance of this report, they feel, could influence the arising of what it is warning of. In other words, the report may turn out to be a self-fulfilling prophecy, as American political scientists like to put it. Especially since the Cold War complex, in the opinion of the authors of the NEZAVISIMAYA GAZETA commentary, has been eliminated to a much lesser extent among the Americans, who won, than among the Russians, who lost.

One could argue with this latter thesis about in whom this left-over complex exists more strongly. This is ultimately not, however, the main thing. It is, one might say, almost an axiom: All those who were put into action in the Cold War, on both sides, and particularly those who made a career in this war, could not help but maintain—fully or partially—confrontational thinking. Many of our generals to this day love to scare people with "aggressive American imperialism," even though the matter lies not in the aggressiveness of the United States or, on the other hand, of Russia, but in the fact that, despite all the boons of the partnership, both countries pursue their own national interests (or, let us say, should pursue them). And these interests by no means coincide. For that reason, it often turns out to be a cold peace instead of a cold war.

What kind of cold war, was it, from a conceptual, geopolitical standpoint?

It was a total global confrontation of two socioeconomic systems, equal in strength, it was considered, under the canopy of a mutual nuclear threat. It was an ideological, economic, military confrontation, focused first and foremost on the confrontation of the nuclear-missile potentials of two superpowers—the Soviet Union and the United States of America.

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This confrontation took shape, obviously, not only under the strong influence of the specific post-war policy of "Uncle Joe," that is, Iosif Stalin, and partially of President Truman, but also under the influence of objective reasons. World War II itself was terrible and painful on the conceptual plane, but in the meantime it was, unfortunately, natural for mankind, despite all the solemn oaths about peace and nonviolence, as a method of cardinal revision of the world balance of powers between the major states—the main "players"—participants in international relations—with the ultimate securing, for a certain time, of a new balance, formed as the result of the redistribution of power.

The specific nature of the reshaping of the global balance of power after World War II manifested itself in the fact that peace, as they said, was bipolar. Only two states were left in the world arena that were really capable of individually, without the participation of the rest, both as allies and opponents, to be poured again, in the future, onto the field of battle for the next redistribution of the balance formed. Another special feature of the new situation, however—the appearance of a super-powerful nuclear weapon and the means to deliver it at an intercontinental distance—made it impossible for the two opposing powers, and the military blocs that had been formed under their aegis, to begin a new, direct test of strength, and led to the arising of a new world phenomenon—the Cold War. The latter is the type of war in which hostilities between the main opposing holders of the balance of peace are waged, not by direct, but by indirect methods of political-psychological pressure and economic war, and in a mediated fashion—through the armed combat of small Third World countries and military-political groupings on the periphery of global confrontation, with the support of "their own" side by one of the main opponents, and sometimes with its limited participation.

The leaders of the two super-powers had enough sense to realize immediately that their direct military conflict—face to face—would signify the ruin of world civilization, as United States President Eisenhower stated directly in 1953.

Toward the end of the first global cold war in the history of mankind, that is, at the end of the 1970's and beginning of the 1980's, world social opinion began to form the impression that in this war, the Soviet Union would win, above all by virtue of the latter's successes in expanding its influence on the periphery, in the Third World. As it turned out, however, the looming victory of the USSR in the Cold War proved to be fleeting. The Soviet Union slightly overstrained itself in the economic race for strategic and space armament, which was beyond its strength and lifting power, and... left the game, to the accompaniment of the lofty, demagogic phrases of its last leader about "new thinking," which suddenly occurred to the Soviet communist leaders, as if they had unexpectedly become aware of the immorality of the Cold War and its unacceptability, for it and for the whole world.

Before coming out with such revelations, however, Mikhail Gorbachev attempted to catch up with the United States in the military-technical sphere, by means of the so-called "perestroyka." Only after Gorbachev, when two years had passed, was convinced that the problem of the scientific-technical lagging behind of the USSR was rooted, not in the military-industrial complex, but in the tired people, who no longer wanted or were able to create and circulate models of military equipment and electronics of world-level quality, while remaining slaves of the state and being placed by the state in a standard of living that was truly bestial, if not worse than bestial, did he indeed start speaking in a new way. His sweet-voiced new song about perestroyka, however, as a way of improving the life of the people, proved to be the same shameless nonsense as his empty Delhi declaration of nonviolence.

In the light of the obvious facts, one does not need to be a prophet or even a RAND Corporation analyst to come to the unequivocal conclusion that a repetition of the Cold War between the United States and Russia, in its classic version, is impossible in the foreseeable future. Even if only simply in the form of confrontational opposition—and no more. On this plane, one cannot help but agree with Gennadiy Zyuganov, who emphasized, in his article in NEZAVISIMAYA GAZETA: "The country has actually lost any real mechanism to support its status as a great power." Neither now nor in the near future can Russia really oppose the United States, not to mention contending with it on the military or semi-military plane somewhere on the periphery. Even after, and if, it "mends" its military industry and to some extent reforms its Army, which now has absolutely no fighting efficiency.

Why?

Indeed, for the very reason of the "human factor," made hackneyed in Gorbachev's speeches. We cannot be a real force—not military, and not even psychological—in the world arena until we put right the life of the people, and raise their living standard, their health, and their moral state at least to the level of an inhabitant of the Republic of Korea. We still have a long way to go to reach even this level.

So just what, then, are the possible conditions and reasons for establishing a new Iron Curtain between the United States and Russia?

If one talks about the Russian side, then this action is possible only if ultra-nationalist forces, obsessed by xenophobia and militant anti-Americanism, come to power in Russia, and "Soviet rule," in the full sense of this word, is restored. There is little likelihood that events will develop in this way, however, despite the fact that healthy anti-Americanism will certainly grow in the country, fed by the pro-American lackeyism of our foreign policy, by the cavalier behavior of American businessmen and policies with respect to our country and the Russians, and by the total Americanization of

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television (the fact that the basic programs are of Mexican origin does not change things). Some of the remaining variants of the development of the internal political situation in the country at the end of this century to the beginning of the next, now being reviewed, may, of course, entail a certain cooling of relations between Russia and the United States, but not to the stage at which the Russian side voluntarily establishes an Iron Curtain. All this is just as clear to American specialists on Russia as it is to us. This circumstance also compels us to have doubts about the real existence of the prediction reported in NEZAVISIMAYA GAZETA.

As for the argument advanced by the authors that disagreements on the subject of Russian policy between the Democratic President Clinton and the United States Congress, Republican-dominated from the beginning of this year, will intensify the likelihood of a shift by the United States toward the establishment of a new Iron Curtain, I would like to say the following about this matter.

The foreign policy of the United States, particularly in the Soviet and post-Soviet direction, has always been a two-party one in principle, and remains this way. Disagreements also exist and are at times exacerbated on the subject of tactics alone. For the sake of scoring points in the battle for a voter, these tactical disagreements are sometimes gigantically exaggerated. In reality, however, as confirmed by the real course of the United States with respect to Russia under Bush and Clinton, there is no particular difference between the Democrats and the Republicans on the "Russian question."

Just what is the fundamental line of the United States with respect to Russia and the CIS countries, if one looks at it, not through the prism of intra-American interparty struggle, but on the basis of the practical behavior of the United States?

In the first place, all the American leaders are absolutely united in their conviction that the breakup of the Soviet Union that took place meets the rooted, vitally important interests of the United States and that the restoration of the USSR in any form whatsoever, or even simply a movement with respect to economic, political, or military consolidation of the post-Soviet space, would be counter to these interests. Washington considers one of its most important strategical tasks to be the need to do everything in its power to have the changes taking place in the last few years in the CIS area prove to be irreversible.

From this standpoint, the recently reached agreement of three CIS republics—Russia, Belarus, and Kazakhstan—on creating a customs union, and the outlined signing of a broad-scale agreement on friendship between Moscow and Minsk, objectively undermines the insidious designs of American strategists. The proper foreign-policy effect from this step will of course appear only if the Russian leaders do not put the brakes on the practical realization of the agreements achieved, as they have done more than once in the last few years.

In the second place, the American leaders consider the nationalism of the leaders of other CIS republics to be an extremely important factor, instrumental in preventing the reconstruction of a unified Union, even if only in the form of a confederation or common market. The stock value of these leaders in the United States is to a great extent tied in with the degree of their opposition to integration processes in the CIS. The widely known opinion of Henry Kissinger and Zbigniew Brzezinski, that all possible efforts must be exerted to reinforce and intensify the separatism of the CIS republics, is shared by all authoritative representatives of the American ruling class. It is precisely for this reason that Leonid Kravchuk was so dear to the hearts of American politicians.

In the third place, the leaders of the United States, whichever one of them it was who whispered to our leaders, are of course interested in a further weakening of Russia's international position. Under the cover of "taking stock of Russia's opinions," they are doing, and will continue to do, everything possible to weaken Russia's influence in the international arena, and to keep it from becoming a member of the great powers club with REALLY equal rights.

We must have a clear picture of the fact that at present, because of the factor of eliminating bipolar confrontation in international relations and the breakdown of one of the superpowers, a process of changes and corrections is taking place in the global balance of powers. Contrary to the standard assertions of many of our politicians and political scientists that the "weighted" balance of powers, or the "balance of interests"—which is even dearer to us—is being established at international conferences... or at summit meetings, this balance is actually being formed in the world arena on the basis of the real (and sometimes even only apparent, but accepted as real) forces of the basic participants in international relations. The military, economic, and moral forces.

The self-organized breakup of the Soviet Union was equivalent to its defeat in a war, as sorrowful as it is to note on the eve of our Great Victory holiday. The long-term consequences of this global phenomenon for international relations are only just beginning to be clearly traced, in view of the fact that the situation, not only within Russia or the CIS, but also in the world arena as a whole, has not yet stabilized after this shock. The real—stabilized—balance of powers in any foreseeable period of life in the future has not yet been decisively determined. The newly formed or reforming unions of states, or their de facto grouping according to new interests, have yet to realize their weight—although it is already quite clear that in the new world distribution of powers being formed, Russia's weight will be much less than the weight of the former USSR. American politicians are also trying to peg this new, pardon the expression, balance of interests, limiting Russia's interests wherever it can and advancing its own.

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The fact that the process has not yet concluded, however, puts the trump card not only in the hands of American policy (let us say, opens up a chance for "smoother" implementation of expanding NATO's sphere of action in the East because of Russia's being tied up in Chechnya), but also affords possibilities for our policy as well, as long as it does not continue to hold onto Uncle Sam's coattails, and realistically weighs foreign policy alternatives, such as, for example: Is stubbornly pushing Japan into the embrace of the United States and/or China really worth the "price" of the four South Kuril islands, which have never belonged to us?

In the fourth place, the main preoccupation of the United States ruling elite is its fear of the still quite powerful Russian nuclear missile arsenal and to no lesser extent—Russian chemical and possible biological weapons. If one turns one's attention from the fact that our most terrifying biological weapon is the state of our own ecology.

American leaders and specialists are by no means sure that the matter of guarding this arsenal and having political control over it is going as well today as the picture painted by Russian political military leaders. Episodes like the case of the "quick reaction" of the Russian president to Norway's planned launching of an exploratory missile lead them to draw directly opposite conclusions and cause bouts of genuine nervousness and a sincere desire to strengthen their defense against Russians who react to routine things so strangely, noisily, and unpredictably. In this sphere, the Americans are burning with a desire not only to find out a little more about military secrets, but also to help the Russian leaders to reinforce the monitoring of nuclear weapons and fissionable materials, which are quietly and illegally creeping out of Russia.

At the same time, they are not letting slip any opportunity that might present itself to them to pull out of the silo as many of Russia's nuclear teeth as possible or to deaden them in some other way.

In the fifth place, while they are interested in weakening Russia or at least keeping it in the situation in which it presently resides, American leaders (Democrats and Republicans alike) are not interested in Russia's complete breakup or disintegration and its losing the role of an important geopolitical factor which by its very existence ensures the impossibility of such a radical change of the world balance of powers in the future that it would be sharply unfavorable for the global interests of the United States. On this plane, there comes to mind President Wilson's famous sixth point, from his message to the United States Congress in January 1918. At that time, the President of the United States, from motives absolutely similar to those of today, came out energetically in behalf of the impermissibility of Russia's territorial dismemberment.

The present leaders of the United States undoubtedly rejoice in the failures of the Russian troops in Chechnya, which demonstrate to the whole world the groundlessness of the bragging of some Moscow generals about Russian military might and narrow the possibility of Russia's using power methods in the CIS republics and outside their limits. They also probably have nothing against Russia being tied up in Chechnya a little longer. They hardly, however, wish for other bloody ethnic conflicts to arise in the Russian Federation, as they might lead to the loss of Moscow's control over the present Russian territory.

In the sixth place, both the Republicans and the Democrats are interested in intensifying and strengthening Russia's present status as a supplier of raw materials and scarce energy resources to the world market. They are also prepared to guarantee private American capital investments, in this sphere, in the CIS countries. This interest of theirs in raw material supplies from the CIS, however, in no way extends to the agricultural sphere. The U.S. Government is not interested in having Russia turn from being a permanent purchaser of American grain and other agricultural products into a supplier of them. True, on this plane, the United States need have no fear of Russian competition in the near future. The Russian Agroprom reliably stands guard over American interests.

The tactical difference between Republicans and Democrats is above all manifest in the approach to using various types of loans and credit to promote the "democratic process" in Russia and other CIS countries. The Republicans—in principle more than the Democrats—are inclined to feel that most of the funds allotted for Russia go not so much to support democracy as to enrich various types of swindlers, including American ones. This is for the Republicans an example, and a very indicative one, of a senseless waste of funds, including those allegedly allotted to the CIS countries by the Clinton administration itself, which any true Republican considers socialist, in some way akin to an American edition of Yeltsin's Cabinet. Incidentally, not only the Republicans, but the Democrats themselves, are quite reluctant to fork over when it is a matter not of the funds of the World Bank or the IMF, but of the Americans' own money. Suffice it to say, for example, that of the $1.2 billion allotted by the United States Congress from the Pentagon's budget in 1992 for the so-called Nunn-Lugar Program to aid Russia, Belarus, Kazakhstan, and Ukraine in increasing the security of guarding nuclear missile weapons and accelerating the disarmament process, by last July only about $40 million had actually been laid out. After all, though, in this case it is a question of the real, and not the imagined interests of the United States.

It must be said that right up until recently, President Clinton's policy toward Russia was considered, in the United States, as almost the administration's only successful achievement in the international arena. This prompted the Republicans, for the purpose of interparty struggle, to be particularly zealous in seeking Clinton's

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imperfections in this direction, and one of the focuses of their attack was Clinton's imaginary financial lavishness toward Russia. Now, when the Republicans, who have taken possession of Congress, have begun to refuel the state's money bag, they do not fail to demonstrate their thrift and circumspection on this plane. They now have, however, because of Chechnya, other, quite weighty arguments against Clinton's "gamble on Boris." Which makes Clinton himself, who is himself, as is Yeltsin, dreaming of a second term, make his course in the Russian direction commensurate with the positions and moods of the Republicans, as the NEZAVISIMAYA GAZETA authors were absolutely correct in noticing. It is this circumstance, plus the fact that, under the influence of Mr. Zhirinovskiy and his allies, Russian diplomacy is still trying in some way to discover its own line, that predetermines the increasing difficulties in Russian-American relations. This means, however, the appearance of difficulties, not the lowering of Iron Curtains or the building of some sort of new walls.

As for the famous Jackson-Vanik Amendment, to which all our leaders, of both the days of detente and of the present partnership, loved to and continue to love to allude as almost the main obstacle to the development of relations between Moscow and Washington, it is virtually not functioning, although this has not been formally noted for the time being. This amendment, if it were in force, would prevent the export of finished industrial items from Russia to the United States. Only that. But what would there be to export. On the other hand, when you go through the Moscow shops, and hardly ever see items with the label "Made in Russia," you begin to think that perhaps it would not be so bad for our Duma to start passing some similar sort of amendment!

*Central Asian Ties with South Examined

954F2092A Moscow MOSCOW NEWS in English No 12, 31 Mar-6 Apr 95 p 4

[Article by Azer Mursaliyev, MN special correspondent and Khasan Mustafayev, "Vecherny Bishkek" newspaper, editor-in-chief: "Central Asia Moves South"; first paragraph is introductory paragraph]

[FBIS Transcribed Text] Russia sent no official representatives to the recent meeting of the Organization for Economic Cooperation (ECO) in Islamabad. However, Moscow remains a major economic and political partner of the ECO member states, and the issue of Russia's presence is still one of the most serious in Central Asia.

Russia's influence in the region is apparently weakening. Forced out of the ruble zone, fenced in by customs cordons and new frontiers, post-Soviet Asia is turning its face to the south. Until recently, the lack of communication was the only obstacle preventing Russia from making contacts in the area. Today new ties are emerging.

Battle for the Afghan Corridor

The quiet course of the meeting was interrupted only once: when Burhanuddin Rabbani, president of Afghanistan, accused Pakistani Prime Minister Benazir Bhutto of meddling in his domestic affairs. This comment received a sharp response.

Rabbani said that the long-awaited stabilization and peace in his country had been closer than ever when a new unexpected force emerged—Talib detachments (made up of medrese students)—which complicated the situation. Rabbani directly accused Pakistan of organizing and maintaining the Taliban movement.

The Taliban movement began operating in earnest last year in Pakistan. However, Bhutto strongly repudiated the charges against her, saying that the Taliban was initially aimed at her.

However, in the course of the quarrel the participants failed to mention an important point that could cast light on the Taliban. The students undertook their first action in Afghanistan last October, following the attempt to lead a trade truck convoy from Pakistan to Central Asia. If this transportation had been carried out successfully, it would have paved the way for trade contacts between Pakistan and the post-Soviet Asian republics, and Afghanistan itself would have gained from the transit. After the convoy crossed the Pakistani-Afghan border it was robbed by the first mujaheddin detachment. Then talibs appeared. The convoy was recaptured, the mujaheddins were disarmed, and talibs began moving northeast. It could have been unintentional, but the convoy route from Pakistan to the Central Asia coincides with the movement of the talibs' offensive.

The Chinese Way

Painted with images from tires and cabin tops, Pakistani trucks found another way to Central Asia—through China. Last year Pakistan, China, Kyrgyzstan and Kazakhstan signed an agreement on car transit at the multilateral meeting. Now several parts of the road are being finished that will connect national highways into one net. The road is to be opened by the beginning of July.

Several countries of the Asia-Pacific region and India have expressed their interest in the road. Until recently, Indian goods have been transported in a roundabout way via Odessa or Vladivostok. The new road is expected to reduce the distance and transit costs.

To take into consideration the fact that Russia's share in trade turnover with the countries of the region is steadily getting smaller—thus in trade relations with Kyrgyzstan, Russia now places fifth after China, Uzbekistan, Kazakhstan and Turkey—it is easy to assess Russia's foreign trade prospects in the area after southern communications are completed.

The total population of Pakistan, Iran, Afghanistan, Turkey and the neighboring Chinese autonomous region

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of Xinjiang Uygur is about 280 million. Marat Sultanov, chairman of the National Bank of Kyrgyzstan, maintains that this new market might well replace the lost Soviet one for the country's 4.5 million inhabitants. Moreover, the post-Soviet republics have something to offer to their neighbors: natural resources, including the most important of them, fuel and energy.

The Iranian Alternative

Half a year later another trans-Asian route is to be opened, and this time a railroad which will connect Central Asia with the Iranian port of Bender-Abbas on the Persian Gulf shore. Auto routes through Iran have existed for a long time. Almost all of the foreign cars that recently appeared on the streets of Bishkek, Alma-Ata, Tashkent, and Ashgabad were brought there via Iranian roads.

Shortly after the meeting in Islamabad was over, the Central Asian delegations arrived in southern Iran to take part in the opening ceremony of a new railway.

The next meeting of the ECO is to be held in the capital of Turkmenistan. At first they planned to hold it in Tashkent but the Uzbek delegation told the meeting that their capital is not prepared to host guests. Turkmen President Saparmurad Turkmenbashi paused and said casually: "Well then, let us meet at my place." And this was not a mere spectacular gesture. Turkmenbashi, who during the recent years constructed 23 palaces, is really well prepared for such a meeting. Moreover, the Turkmen president dreams of turning Ashgabad into an Asian Geneva or Zurich. At the Islamabad meeting he even tried to obtain the status of "a country which keeps a positive neutrality," but the proposal was refused politely.

Unlike Ashgabad, which is busy establishing close contacts with its southern neighbors, Tashkent apparently takes a more careful position concerning cooperation with the ECO. Thus three presidents were absent at the Islamabad meeting: Geidar Aliyev, Nursultan Nazarbayev, and Islam Karimov. The former two have understandable excuses for staying at home: a riot broke out in Azerbaijan, and the parliament was dissolved in Kazakhstan. These reasons were voiced at the first session, while the absence of the president of Uzbekistan has not been publicly explained.

One has to take into consideration Karimov's sharply negative view on Iranian-Turkmen close connections, especially concerning the construction of a railroad and a planned pipeline to Iran—in one of the interviews Karimov even urged intervention to prevent a repetition of the Tajik conflict in Turkmenistan. So one can assume that in doing so Tashkent has expressed its position not only about the Islamabad meeting but also about the ceremony in Bender-Abbas.

The Uzbek position can be explained: all Turkmen goods, especially gas—the basis of the territory's welfare—are to be transported through Uzbek territory. So, Tashkent has the means to exert pressure against Ashgabad, and the loss of a communication monopoly will weaken Tashkent's position in this direction.

Central Asia's Breakthrough to the South

It is no longer a secret that bloody wars in the Trans-Caucasian region are directly connected with the future of the main pipeline which is bound to unite the Caspian basin with the rest of the world. Several conflicts are already being viewed from this very aspect. By waging the war in Chechnya, Russia has been trying to clear the way through this territory. A full-scale military action of Turkish armed forces against Kurdish separatists is also aimed at arranging a secure transit through Kurdish territory. Western diplomatic activity around the Caucasian knot is also connected with the problem.

However, whereas the great and the middle are waging struggle on the narrow neck of land between the Caspian and the Black seas, Central Asia is silently making its way to the rest of the world through the South.

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*Presidential Adviser Proposes Solutions for North Caucasus

954F2061A Moscow SEGODNYA in Russian 7 Apr 95 p 9

[Article under the heading "Opinions" by Arkadiy Alekseyevich Popov, consultant of the Analytical Center in the Office of the President of the Russian Federation: "How We Should Heal the Caucasus"]

[FBIS Translated Text] The outbreak of the Chechen war has highlighted a common problem of the whole of the Caucasus: The territorial-status conflicts, with which Caucasus political life is packed to overflowing, are not susceptible to resolution by any of the known methods—either peaceful or otherwise. The processes of a settlement of the Karabakh and Abkhaz conflicts which had begun to take shape have clearly become bogged down and are in danger of becoming derailed. The peacemaking process in the semi-ravaged South Ossetia has been at a standstill for two years. The situation in the zone of the Ossetian-Ingush conflict is once again inflamed to the utmost. Tension persists in polyethnic Dagestan, Kabardino-Balkaria, and Karachay-Cherkessia. And now Chechnya....

That we cannot live **like this** is clear. What is not clear is **how** to live and **how** to change the course of events pulling with fatal inevitability this erstwhile blessed region from one senseless slaughter to another, from tragedy to tragedy. If this fate is some spiritual or social disease, it would be logical, before reaching for the first medicine that comes to hand, to try first, for all that, to establish a diagnosis.

'One, But an Ardent, Passion'

As the experience of a settlement of such conflicts shows, it is not as hard to agree on the military aspects of an armistice as it is to find mutual understanding on the question of the political status of the rebel or disputed territories. Here is the limit of any compromise, a solid, impenetrable wall. Which is not surprising. For the main and ultimate goal of the majority of national movements in the Caucasus is **to achieve for their own ethnic group separate, "particular" statehood.** At all costs and at any price. **"Ethno-statophilia**—this is the disease, hard to pronounce and hard to endure, which, like a scourge of God, has infected the modern Caucasus.

People who have never lived in a state they could call "their own" are convinced that all their troubles derive from their being governed by alien rulers. Of the wrong race, of the wrong tribe. And it is impossible to disabuse them of this for in a country where there has never been a civil society and the individual has not been protected against social misfortunes either by law or by property or by democratic tradition state authority is, truly, the sole source of real power and earthly blessings.

But what is for some a subject of dreams is for others an instrument of social advancement and satisfaction of personal vanity. The Caucasus abounds more than any other region of the post-Soviet world in politicized and militarized movements and groupings which on behalf of the peoples that they seemingly represent are insisting on a recarving of borders and the creation in the place of the existing states of new micro-state formations of the ethnocratic type. The most dangerous among them are those that are seeking full independence of the metropolis: Their actions, encountering the opposition of just as furious statophiles on the other side of the barricades, inevitably lead to war.

The failure of the plans for the rapid suppression of the Dudayev regime and the conversion of the police action in Chechnya into a protracted war with unclear prospects of pacification are not the sole evidence of the incapacity of the modern world for coping with the problem of separatism. It is not succeeding either in Yugoslavia or Moldova or the Caucasus. Civilization can simply no longer endure new Vukovars, Benderys, Sukhumis, or Groznyys, and those that have occurred have resolved nothing and have produced nothing other than new deaths and destruction. The self-proclaimed Nagorno-Karabakh, Dniester, South Ossetian, and Abkhaz and, to some extent, Chechen republics have remained, albeit unrecognized and albeit of little use for normal life, "unsubjugated." The "premiers" and "presidents" of these republics, as distinct from their subjects, who have become cannon fodder, have gotten off with a slight scare, having obtained in exchange the possibility of basking in the rays of world fame and setting out the terms of their royal consent to peace negotiations. And this means that we have as a result a **situation of rewarded lawlessness,** which is fraught with very unpleasant consequences.

The mere existence of precedents of successful attempts at secession (separation) is a powerful incentive to new conflicts being unleashed in the spirit of "national-state self-determination". Particularly in the Caucasus, where there are so many temptations to this.

The attempts to flirt with the genie of separatism have already played a cruel trick on Russia. After all, having secured the inviolability of the ethnocratic regime which by force of arms detached Abkhazia from the Georgian state and "cleansed" it of the 200,000-strong Georgian population, Moscow convinced everyone in the Caucasus that separatist rebellions are a good thing and that a reference to the sanctity of the "struggle for national self-determination" writes off everything.

We are now having to persuade them of the reverse, and we can see what effect this is having. But if both extremes—both the encouragement of separatism and a military and police response to it—are bad, perhaps there is salvation in an "intermediate"—federalist—version of a rearrangement of the Caucasus, in which so many peacemakers are putting their hopes?

It is true that federalism works pretty well in many parts of the world. I would like to believe that it would in time

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become firmly established both in Russia and, possibly, throughout the Caucasus. But it is just as defenseless here today under the pressure of ethnocratic longings as the principle of the unitary arrangement also. And it is by no means a question of the fact that the status of federative entity affords less independence than the status of an independent state (what "independence," in fact, of Armenia does the Nagorno-Karabakh Republic have or Abkhazia of Russia!). The point is that the federation does not afford its subjects the main thing to which the "self-determining" movements aspire—**the symbol of independence of the power of another ethnic group**—and for this reason takes hold only where it is built not on an ethnic but on a purely territorial basis. It is no accident that the Ajari and Nakhichevan autonomies have been islets of relative stability in the Caucasus: The **real** power that they have has been perfectly sufficient for the Batumi and Nakhichevan rulers, and they do not begrudge leaving the **symbols** of it to their ruling fellow tribesmen in Tbilisi and Baku. For the Abkhaz and Karabakh chiefs and their co-religionists, on the other hand, recognizing over themselves Georgian (or, respectively, Azerbaijani) sovereignty, even though purely nominal, would be sheer hell.

The example of Chechnya, for which the status of component of the Russian Federation was guaranteed from the outset, testifies that the tastes of the most exacting connoisseurs of national sovereignty are by no means satisfied by such denominators as "broad autonomy within a federation framework." But even where ethno-sovereign pretensions do not yet rise higher than the level of federative entity (component of the Federation), there are no grounds for optimism.

Under the conditions of the ethnic patchwork and the blurring of ethnic borders and the existence of long-standing and bitter disputes over the "historical rights" of different peoples on one and the same territory that have taken shape in the Caucasus, the least attempt to begin a territorial redivision would inevitably result in a general explosion.

'Fundamental Compromise'

Whence it is clear that, despite all the importance of the efforts that are being made today to extinguish the conflagrations that have already arisen, lasting peace in the Caucasus may be achieved only on the basis of some more fundamental general political solutions. What might be the solutions at issue here?

Since the source of the majority of conflicts lies in the aspiration of ethnic groups to acquire their own political sovereignty, which they equate with unattainable statehood, there is seen to be just one solution: **to separate the desired function from the inaccessible subject,** that is, to create a system of international representation and interaction within whose framework statehood loses its present significance of irreplaceable pass to the "international political club." It is a question, consequently, of shaping within the Caucasus, not affecting the borders and status that are already recognized, an international regional organization of a nontraditional type, whose members could be not only the states located here and even the federative and autonomous territories distinguished within them but also **any ethnic communities insisting on individual representation.** Regardless of whether they are "indigenous nations" or not, are settled in compact or dispersed fashion, and have their own national-territorial formation or remain administratively unformalized "national minorities" and "national majorities."

With this approach some groups of society would be represented on the all-Caucasus political stage not by two even but by three "subjects"—the state, the federative or autonomous formation (where such exists), and the ethnic community. But nor is this so terrible. The main thing such an organization (let us call it the **"Caucasus Forum"**) should aspire to is, after all, the assurance for all inhabitants of the Caucasus of the possibility via their elected representatives of really influencing the adoption of political decisions affecting the fate of this region and its social, economic, and cultural development. And the more diverse the channels of representation of the will and interests of the population in such an organization are, the greater the flexibility and the internal balance that may be expected of it. And the more the chances that a truly fundamental human right—**the right to national self-determination** —which is currently giving rise to so many problems and misunderstandings, will be realized also.

If, of course, what is understood by national self-determination is exactly what it does mean—the free manifestation and affirmation of the ethnic principle in people's activity and their voluntary associations. But not states. The state must remain beyond ethnicity, although it is required, of course, among its other functions, to defend the legitimate interests of the ethnic communities also. But, first, it is required to do this in respect to **all** communities, not dividing them into "titular" and "nontitular" and "indigenous" and "alien," and, second, it is required to no less an extent and even first and foremost **to defend the individual against the despotism of the communities themselves** and the organizations acting on their behalf for this despotism, particularly under the conditions of interethnic confrontation, is not one bit better than the despotism of the out-and-out police state.

Unfortunately, there is still a very long way to go to the embodiment of the ideal of the extra-ethnic state in the Caucasus, as throughout the post-Soviet space. Here, in conflict-ridden polyethnic zones, a person sometimes finds himself under the double or even triple pressure of his own and others' communities and the authorities sponsoring them, which all as one solicit from him "boundless devotion" in the face of the "national threat." If there is any self-determination for anyone at all here, it is not for ordinary mortals but solely for mellifluous rogues broadcasting with the "voice of the

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people" and enticing them into martial exploits. Releasing the individual from this pressure and affording him an opportunity to himself decide whom to love and for whom to fight is only possible today, evidently, with the aid of a system of the international "cross" control of the actions of the leaders of "large" and "small" nationalities and the authorities of states and intra-state autonomies. A "Caucasus Forum" could with its sufficiently considered organization be such a system.

In order to prevent this body becoming an incoherent popular assembly and to create the legal basis for the concordance in it of varidirectional interests it would make sense to provide within its framework a procedure of the discussion, adoption, and execution of decisions that is analogous to a certain extent to the procedure specified by the UN Charter. That is, together with its "General Assembly" consisting of all members of the Forum and adopting recommendatory decisions, it would be useful to make provision also for a body analogous to the Security Council, whose decisions would be binding, and within the latter, for the institution of "permanent members of the Security Council" with the right of veto on a strictly limited range of issues (change of borders and status, use of armed forces). Seats on the "Security Council" could be held by turns by representatives of all categories of components of the Forum (from communities with "national minority" status, from "titular" peoples, from territorial autonomies and republics within the states). It would be logical to reserve "Security Council permanent member" status for all the officially recognized Caucasus states—Azerbaijan, Armenia, Georgia, and Russia, and possibly also Turkey as well.

Many considerations could be cited in support of the latter's inclusion as a member of the Caucasus Forum. First, Turkey is today, as previously also, actively involved in all-Caucasus political processes, and it is impossible without its involved participation to resolve either the Karabakh problem or, for example, the problem that is being intensively discussed currently of the repatriation of the Adygo-Abkhaz diaspora that formed in Turkey following last century's Caucasus War, as, equally, the problem of the long-suffering Meskhetian Turk people, who have been deprived of a homeland. The Caucasus was throughout recent centuries the arena of the bitter military-political and cultural-religious antagonism between the Russian and Ottoman empires, and scars of this long struggle which have not completely healed are making their presence felt in many of the present Caucasus squabbles and conflicts. And if we truly want to have done with them, it is pointless attempting to do so in circumvention of Turkey, which is, like Russia also, by virtue of its imperial past, a "pan-Caucasus power" in a sense.

It is important to consider also that in the present geopolitical situation it is Turkey that could serve as a natural political counterweight to Russia in the Caucasus, and an ethnically and historically conditioned Turkish-Azerbaijani alliance, as a counterweight to the Russian-Armenian military-strategic alliance that is actively taking shape. Without such counterweights the Caucasus Forum would not acquire the necessary internal stability: It would be difficult for politicians in Baku (and in Tbilisi also) to believe in the possibility of the establishment of equal relations with Moscow faced with Russian power, which is superior to Caucasus dimensions many times over. And, consequently, the Forum idea would have to be given up as a bad job in advance.

The need for the inclusion in the Caucasus Forum of Iran is not as obvious, although nor should this idea be rejected out of hand. The approach to the formation of the membership of the CF [Caucasus Forum] should, generally, consist not of an endeavor to maximally enlarge or, on the contrary, maximally constrict it but to enlist in this organization all the ethnopolitical forces present in the Caucasus region. Only on such a condition may we hope to accomplish the two-in-one task of the "grand reconciliation of the Caucasus": on the one hand to enshrine the principle of territorial integrity and withdraw, finally, from Caucasus political usage the destructive doctrine of the "right of nations to statization" resulting in practice in the "right to war" and, on the other, to create a dependable barrier against all propensities of the state authorities and chiefs of "titular" nations for putting the autonomies and minorities in a position in which they suffer discrimination.

In other words, the basis of the proposed organization should be made a kind of **"fundamental compromise"**: The members of the Caucasus Forum would **in exchange for recognition of the right of veto on secession partially renounce the principle of noninterference in their internal affairs,** that is, consent to the public discussion and joint—within the framework of the Forum—solution of all questions concerning the interests of the Caucasus autonomies and minorities.

Who Needs This?

This project might appear utopian, and to some people, even "harmfully utopian," perhaps, for it is contrary to the established practice of international relations, in accordance with which all nonstate international forums and congresses (like the widely known Organization of Unrepresented Nations and Peoples) may meet as much as they like and discuss whatever they like, but only the states associated in the United Nations and various regional associations (the OSCE, OAS, OAU, and so forth) are permitted to decide in practice the fortunes of the planet and its dwellers. Specifically, the idea of a forum within whose framework the representatives of all ethnopolitical components operating in the region, regardless of their sovereignty, might cooperate has long been discussed both in the Caucasus (under the name of the Caucasus Home, for example). But it has usually

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been a question here of organizations of the "round-table" type not endowed with the right to adopt binding decisions.

Several international associations formed on the basis not of states but national movements acting on behalf of particular ethnic groups as **political subjects** are already operating actively in the Caucasus today. The best known of such organizations is the Confederation of Peoples of the Caucasus, whose reputation is deservedly termed "ambiguous." The unrecognized Abkhazia, Dniester region, and Chechnya, which have concluded far-reaching "cooperation treaties" among themselves, have attempted to establish something akin to an "Outcasts Union."

Need, understandably, compels association in such "confederations" and "unions" since for the "small" ethnic groups today this is the sole accessible method of establishing themselves in the political arena and defending themselves, if not against oppression, then against disregard on the part of the "big" nations, in any event. For the unrecognized states, however, it is the last method of overcoming the odd-man-out complex and demonstrating to the world their "state actuality." But, in the words of O. Henry, sand is a pretty poor substitute for grits. And not entirely harmless, we would add. An awareness of the obvious inferiority and illegality of such an "unrecognized international" relieves its creators of the need, generally, to be looking out for the law and removes the psychological barriers in the way of their convergence with the "criminal international"—the international mafia, which is firmly ensconced in the market of arms for national liberation needs.

It may be anticipated that for extreme nationalists (of both a separatist and sovereign state-protective persuasion) the idea of the destatization of the nationality issue will seem unacceptably opportunist. Its particularly sharply worded rejection as an attempt to "take away the victory" may be expected on the part of the leaders of the self-proclaimed states which have by the military path already achieved virtual separation from their metropolis and which have not lost hope of winning in time the corresponding international recognition also. But this hope is baseless: After Yugoslavia, the world is more united than ever in its resolve to henceforward prevent forcible secessions. Heading into a confrontation with the whole world, on the other hand, is an absolutely hopeless policy. A "fundamental compromise" would make it possible, I believe, to emerge from this deadlocked situation "without losing face."

As for the politicians who represent the legitimate authorities of the recognized states and who believe that the membership of the United Nations and regional interstate organizations that they already have is perfectly sufficient for a quiet life and that there is absolutely no need to share part of their precious national sovereignty with some impostors, it would be useful to remind them of the sorry fate of the proud Presidents Gamsakhurdia and Elchibey.

The overriding question is whether Russia needs this. In order to answer it, it is necessary first to determine of what its base interests in the Caucasus consist. If they consist, following the advice of certain Duma members, of seeking to establish a virtual Russian protectorate over the Transcaucasus, the answer is clear: It does not.

But there is also another viewpoint, according to which Russia, having embarked on the path of reforms, is most concerned to have stable states on its southern borders. From this position there is seen to be no alternative to the Caucasus Forum idea.

It is clear that nothing may be decided or settled in any way reliably in the Caucasus today without Russia or in circumvention of Russia. But nor can the monstrously tangled Caucasus mass of problems be unraveled or cut through without the combined good will of all the other Caucasus states and ethnic groups. Including the most painful problem for Russia—the Chechen problem. It does not, it would seem, in principle lend itself to solution as an exclusively Russian problem. And not because there is a shortage of constitutional rights or parachute-airborne regiments. But because both culturally-historically and sociopsychologically Chechnya belongs not only to itself and Russia but also to the entire Caucasus. And to Russia to precisely the extent that Russia itself is with its southern lands part of the community of Caucasus countries and peoples.

It is clear that a great deal of that which is not permitted "overweening Moscow" in respect to Chechnya and which would inevitably evoke in Chechen society rejection and resistance could be perceived quite differently were it to be the collective decision of a representative forum of Caucasus states and peoples. This is precisely a case where the form of a solution—how it is adopted and by whom—is even more important, possibly, than its content. For it is not enough to disarm the combatants—it is necessary, in addition, to disarm their ideologues, and this cannot be done other than by having invited Chechnya's Caucasus neighbors to the process of a settlement of the situation. Only they, all together, can persuade their colleagues in the struggle for national self-determination who have been inordinately engrossed in sovereignist ideas that separatism is not the sole and far from the best means of achieving this goal. That it is time to have done with political games around the extent of the borders and status—the inhabitants of the Caucasus, who have today found themselves on the brink of starvation and ruin, ultimately have more urgent business.

All that has been proposed here is nothing more, of course, than a rough outline and a first approach to the problem. But it is important if only to begin discussion of it, having invited to this process all who have something to say—in Moscow, Makhachkala, Tbilisi, Sukhumi, Baku and Yerevan, Chechnya and Karabakh—wherever there are still commonsensical people with an unatrophied sense of responsibility for their life and their children's future.

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*Situation of Russians in Former Soviet Republics Examined

954F2060A Moscow NEZAVISIMAYA GAZETA in Russian 7 Apr 95 p 3

[Article by Vladimir Ilich Lafitskiy, candidate of legal sciences: "Ethnocratization of Power: Russians Outside of Russia—What Are the Prospects?"]

[FBIS Translated Text] Glancing at the map, one involuntarily asks: "The Russian Federation—is it Russia?" Its statehood has been artificially imposed within arbitrarily established borders, and the once united Russian people have been disarticulated into citizens of the Russian Federation and the Russian-speaking population of the former Union republics of the USSR. The history of Russia, which was interrupted in 1917, was once again fractured in December 1991, and once again, as before, its politicians destroyed what had been created over centuries by the efforts of the Russian people.

The Belovezha redivision of the USSR did not, essentially, resolve a single one of the problems confronting the country by the end of 1991. Yes, the Soviet state had by that time approached the line beyond which it had no future without reforms. The preservation of a transformed united statehood with broader forms of self-government of the Union republics was the optimum choice. A second possible option was the territorial demarcation of the USSR, whereby each former Union republic acquired, with regard to historical, ethnographic, economic, and geographical factors, naturally drawn borders. The basis of such a demarcation should have been a referendum with the vote being counted by individual region of the Union republics.

Unfortunately, Russian politicians did not follow these prescriptions, which in the first case limited their power, and in the second, delayed its acquisition. The worst, but, on the other hand, simplest, method of "divorce," in accordance with the borders that had conditionally divided the Union republics of the USSR, was chosen. As a result, Russia found itself disarticulated and deprived of many primordially Russian territories, and more than 40 million Russians became strangers to it overnight.

But let us leave aside an investigation of the consequences, shameful for Russia, of the collapse of the USSR and let us switch to the question of the possible means of eliminating them.

There is no need, I believe, to prove the impossibility of the reconstitution of the USSR. The course of history is irreversible, and in this situation we can speak merely of the reunification with Russia of its regions in which Russians constitute the majority of the population and which simply cannot fit within the ethnocratic (one nation) framework of the statehood of the former Union republics.

1.

Following the collapse of the USSR, the constitutions of a large number of Union republics enshrined the privileged position of the titular nations. It is important for our purposes to reproduce the corresponding constitutional provisions, lest there be any doubt as to the true nature of the state power of the new sovereign formations.

Kazakhstan. The ethnocratic nature of statehood is reflected in the preamble to the constitution, which speaks of "the permanency of Kazakh statehood," and also in part one of the Fundamentals of the Constitutional System, which proclaim the Republic of Kazakhstan the form of "statehood of the self-determined Kazakh nation."

Turkmenistan. The nature of the statehood of Turkmenistan is attested by the preamble to the constitution, which says that the purpose of the basic law is "the safeguarding of national values and interests and the strengthening of the sovereignty of the Turkmen people."

Uzbekistan. The ethnocratic nature of statehood is also reflected in the preamble to the constitution, which speaks merely of "the historical experience of the development of Uzbek statehood."

Moldova. The same ideas permeate the preamble to the Constitution of Moldova, which notes "the continuous statehood of the Moldavian people in the historical and ethnic space of their national formation."

Similar formulas confirming the ethnocratic nature of statehood are incorporated in the Constitution of **Lithuania** and in the draft Constitution of **Ukraine.** The Constitution of **Kyrgyzstan** is more reticent on this issue, but even here provisions revealing the true nature of its statehood may be discovered. We would mention Article 45, which enshrines the oath of the president: The head of the republic swears not only to the people of Kyrgyzstan but to the "sacred fatherland of Ala-Too" also.

2.

All the said constitutional provisions talk about the ethnocratic foundations of statehood or the appurtenance of state power to the titular nations. We are persuaded that this is, in fact, the case mainly by the practice of the formation of state bodies. But discriminatory provisions even in the texts of the constitutions themselves may be discovered.

Kazakhstan. Article 114: "A citizen of the Republic of Kazakhstan... with perfect command of the official language may be elected president. A citizen of the Republic of Kazakhstan... with command of the official language may be elected vice president."

Kyrgyzstan. Article 43: "A citizen of the Kyrgyz Republic... with command of the official language may be elected president of the Kyrgyz Republic."

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Turkmenistan. Article 55: "A Turkmen citizen of Turkmenistan may be elected president...."

Uzbekistan. Article 90: "A citizen of the Republic of Uzbekistan... fluent in the official language may be elected president of the Republic of Uzbekistan."

Moldova. Article 78: "Citizens of the Republic of Moldova... with command of the official language may be nominated for the office of president of the Republic of Moldova."

Thus the ethnocratic nature of the formation of state bodies is reflected in two forms—direct (the Constitution of Turkmenistan) and indirect (the Constitutions of Kazakhstan, Kyrgyzstan, Uzbekistan, and Moldova). In the first case recognition of affiliation to the titular nation is required. In the second, fluency in the language of the titular nation. The vagueness of the latter criterion deprives representatives of a nontitular nation beyond a shadow of a doubt of the right to run for the office of head of state.

It has to be noted in this connection that such a criterion or a suffrage qualification like knowledge of the official language is unknown to the constitutions of countries outside of the CIS framework. It is contrary to the rules of international law also. The International Civil and Political Rights Pact emphasizes specially:

"Each citizen should have without any discrimination mentioned in Article 2 (namely, "in respect to race, color of skin, language, religion, political or other beliefs, national or social origins, birth, or other circumstance") whatever and without unwarranted restrictions the right and opportunity... to vote and run for office at truly periodic elections conducted on the basis of general and equal suffrage by ballot and providing for the free say of the electorate" (Article 25).

3.

The next manifestation of the ethnocratic nature of the statehood of the former republics of the USSR is recognition as the official language only of the language of the titular nation, irrespective of such factors as the history and composition of the population of the republics, the possibilities of its use, and so forth which testify in favor of different solutions of this problem.

We are talking primarily about the Russian-speaking population of Kazakhstan, Ukraine, and Moldova. Its numbers are so great that in this case it is legitimate to raise the question of Russian's equality with the languages of the titular nations. An example of the solution of such questions are the Constitutions of Belgium, Canada, Switzerland, and a number of other multinational states. Thus in Canada, for example, English and French are the official languages, in Switzerland, German, French, Italian, and Rhaeto-Romanic.

4.

Finally, the ethnocratic nature of statehood is reflected in the prohibition on the creation of parties on a national or religious basis.

Kazakhstan. Article 55: "The creation of militarized formations and also secret societies and associations not specified by legislation of the republic on the territory of the Republic of Kazakhstan is banned."

Article 56: "The activity of political parties of other states is prohibited on the territory of the Republic of Kazakhstan."

Article 58: "The creation of political parties on a religious basis is prohibited. Religious associations must not pursue political ends or assignments."

Turkmenistan. Article 28: "The creation of militarized associations and political parties on a national or religious basis... is banned."

Uzbekistan. Article 57: "The creation and the activity of militarized associations and political parties on a national or religious basis is banned."

Moldova. Article 41: "The activity of parties composed of foreign citizens is banned."

An analysis of these provisions leads to an unequivocal conclusion. These restrictions apply only to national or religious minorities, which is contrary to the rules of international law. According to the International Civil and Political Rights Act, "each person shall have the right to free association." This right may be qualified only by law "in the interests of state or public security, public order, protection of the health and morals of society, or the defense of the rights and liberties of other persons" (Article 22).

As can be seen from the text of the international pact on civil rights and liberties quoted above, international law does not permit limitations on the creation of political parties on a national or religious basis. In addition, in many acts of international law the right of national and religious minorities to create their own political parties is enshrined directly:

"Persons belonging to minorities shall be entitled to create and participate in the activity of their own associations" (clause 4 of Article 2 of UN Declaration No. 47/135 on the Rights of Persons Belonging to National or Ethnic, Religious, or Linguistic Minorities of 18 December 1992).

The time has now come to sum up certain results. An unbiased analysis of the practice of the former Union republics of the USSR indisputably testifies to the appurtenance of state power only to the titular nations. Other nations, primarily the Russian-speaking population, are denied this right, which raises the question of the forms of its self-determination.

5.

None of the constitutions of the former Union republics of the USSR recognize the rights of the Russian-speaking population to self-determination, which is unlawful,

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considering its size and compact settlement (in Kazakhstan, for example, the proportion of the Russian-speaking population in the northern oblasts constitutes approximately 90 percent, in Crimea, 80 percent, in Eastern Ukraine, 70 percent, in the Dniester Republic, 90 percent).

The right to self-determination is confirmed by the UN Charter and many other rules of international law. Thus Article 5 of the International Civil and Political Rights Pact of 1966 proclaims:

"1. All peoples shall have the right to self-determination. They shall by virtue of this right freely establish their political status and freely ensure their economic, social, and cultural development.

"3. All the states subscribing to this pact, including those that are responsible for the administration of non-self-governing and trust territories, must, in accordance with the provisions of the UN Charter, encourage the exercise of the right to self-determination and respect this right."

The right to self-determination is confirmed also by a whole number of international acts of the CSCE signed in Helsinki, Vienna, Paris, and Moscow.

"The participating states will respect the equality and right of the peoples to self-determination, operating constantly in accordance with the purposes and principles of the UN Charter and the corresponding rules of international law, including those that pertain to states' territorial integrity.

"Proceeding from the principle of the equality and right of the peoples to self-determination, all peoples shall always be entitled under the conditions of complete freedom to determine, when and how they wish, their internal political status without outside interference and to undertake their political, economic, social, and cultural development at their discretion" (eighth principle of the Final Act signed in Helsinki).

The said rules of international law extend in full to the former Union republics of the USSR and serve as a real basis for the affirmation of the right to self-determination of the territories of the compact residence of the Russian-speaking population. The self-determination of these territories could acquire, depending on circumstances, various forms—national-cultural or administrative-territorial autonomy or political self-determination. The latter form incorporates not only the formation of federations with the Russian territories being accorded the status of components of the Federation but also the separation of the Russian territories from the former Union republics of the USSR.

Practically all the former SSR's deny their citizens the right to Russian citizenship.

The Constitution of Kazakhstan is notable in its discriminatory focus. Article 4: "1. Each person in the Republic of Kazakhstan shall be entitled to citizenship and to change it....

"Affiliation to the citizenship of another state shall not be recognized for a person who is a citizen of the Republic of Kazakhstan, except in the instances specified by this constitution and international treaties of the Republic of Kazakhstan."

In violation of the fundamental principle of equal rights, the Constitution of the Republic of Kazakhstan recognizes the right to dual citizenship of "citizens who have left their territory involuntarily and also for Kazakhs residing in other states" and does not recognize it for the persons (primarily the Russian-speaking population) who are permanent residents of the territory of Kazakhstan unless specified by "interstate treaties of the Republic of Kazakhstan." And there will not be such, by all accounts, of which we are persuaded by the draft of the corresponding treaty between the Russian Federation and the Republic of Kazakhstan.

Returning to the question of Russian citizenship, it should be emphasized that a refusal to grant former citizens of the USSR the right to Russian citizenship is unlawful.

This is attested by Article 15 of the Universal Declaration of Human Rights, which establishes the following international standards:

"1. Each person shall have the right to citizenship.

"No one may be arbitrarily deprived of his citizenship or the right to change his citizenship."

With regard to the situation on the territory of the former USSR this article signifies the automatic recognition of Russian citizenship for all persons who desire to confirm it, by virtue of the fact that the Russian Federation is the successor to the USSR not only in terms of debt liabilities but also in terms of a broad range of issues, questions of citizenship included. The refusal to recognize the right to Russian citizenship in the former Union republics of the USSR is nothing other than the arbitrary deprivation of citizenship as understood in part two of Article 15 of the Universal Declaration of Human Rights.

A policy of discrimination is being pursued in many former Union republics in respect to the Russian-speaking population, primarily citizens of the Russian Federation. As a consequence of their origins or citizenship they are being deprived of many socioeconomic and political rights and becoming an object of persecution with the tacit consent and, frequently, in accordance with the direct summons of the local authorities.

We would recall the wording of the Universal Declaration of Human Rights: "Everyone shall be endowed with all rights and liberties proclaimed by this declaration

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without any distinctions whatever, that is, in respect to race, color of skin, sex, language, religion, political or other beliefs, national or social origin, property position, birth, or other circumstance" (Article 2).

Special measures against discrimination are specified by Article 25 of the International Civil Rights Pact: "All people are equal before the law and shall be entitled without any discrimination to the equal protection of the law. In this respect any discrimination should be banned by law, and the law should guarantee all persons equal and effective protection against discrimination on any basis whatever, that is, race, color of skin, sex, language, religion, political or other beliefs, national or social origin, property position, birth, or other circumstance."

The practice of discrimination against the Russian-speaking population is contrary to the social rules of international law and serves as yet further grounds for recognition of the right to self-determination for it.

6.

Fully in accordance with the rules of international law, referendums on the forms of self-determination, including the right to secede from the former Union republics of the USSR and to reunite with the Russian Federation, should be held in the Russian regions. In the latter case they could become a part of the Russian Federation with the status of component in a procedure established on the basis of bilateral treaties and in accordance with federal constitutional law.

References to territorial integrity in this connection are inappropriate on account of at least two circumstances. First, at the time of the collapse of the USSR its former republics themselves scorned the principle of territorial integrity. Second, discrimination against the Russian-speaking population and the impossibility of "freely establishing its political status and freely ensuring its economic, social, and cultural development" are indisputable grounds for recognition for the Russian-speaking population of the right to self-determination.

In conclusion, it should be emphasized that it is these questions that should be the main subject of negotiations with the former republics of the USSR and the pivot of the entire policy of the Russian Federation on the space of the former USSR.

The Russian Government has at its disposal sufficient means for accomplishing the historically important task of the reunification of Russia. These include: 1. The imposition of sanctions (trade, financial, other) in respect to the states permitting violations of the rights of the Russian-speaking population or impeding its right to self-determination.

2. The inclusion in the state budget of articles on financial assistance being rendered the Russian-speaking population in the former republics of the USSR.

3. Ratification of international treaties with the inclusion of amendments providing for the reunification of Russian territories and a refusal to ratify the treaties that do not serve the achievement of the said goal or contradict it.

4. The adoption of declarations, proclamations, and appeals notifying the Russian community and the community of the former Union republics of the USSR of violations of the rights of the Russian-speaking population that have been uncovered.

5. An appeal to international organizations demanding the application of international sanctions for a violation of human rights in the space of the former USSR.

Such are the legislative, financial, foreign policy, and political means that could be employed for a solution of the question of the fate of the Russian territories. We are called to this by the ancestral memory and also by the pain, suffering, and hopes of the more than 40 million Russians who have been left without Russia.

The article is one in the "Essays on the Russian Constitutional Scene" series, whose publication the journal ZAKONODATELSTVO I EKONOMIKA is beginning.

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Regional Affairs

*Glazyev Proposes Drawing of Extra 1995 Budget

954E0859A Moscow KOMMERSANT-DAILY in Russian 12 Apr 95 pp 1, 3

[Article by Vladislav Borodulin: Sergey Glazyev Intends To Divide Up 50 Trillion in Unreceived Income"]

[FBIS Translated Text] **The Russian government might well come up against the unpleasant prospect of working out two budgets at once: one—for 1996, which representatives of the executive power are discussing with satisfaction, and the other—the additional budget for 1995, the need for which is mentioned only by members of parliament. Yesterday, following Yegor Gaydar, who was the first to express this idea, it was also stated by Sergey Glazyev. The statement to the effect that the total of government incomes not taking into account this year will amount to 50 trillion rubles [R] was made by the chairman of the Duma committee on economic policy at the parliamentary hearings on the new government economic program.**

The idea expressed by Sergey Glazyev at yesterday's parliamentary hearings concerning the need to develop an additional budget is based on the assumption that because of the low level of inflation the government will receive unplanned income this year. According to his calculations, the amount of the extra honorarium will be comparable to legislatively approved expenditures—approximately R50 trillion. At the end of March this idea was also expressed by Yegor Gaydar, who thinks that this will make it possible to "rationally distribute the additional revenue items of the budget." Strictly speaking, the federal law on the budget almost automatically solves the problem of additional expenditures: It already includes a provision to the effect that all such revenues, as soon as they are received, will be subject to proportional distribution among the items of the "main" budget. It is obvious, however, that to insist on the idea of the leaders of the two parliamentary factions, which is extraordinary under today's conditions, inspires confidence in the idea that the sum "unaccounted for" will be too great for simple arithmetic distribution.

At the same time one can assume that the government's reaction to this initiative will be sharply negative. It will be negative even in spite of the fact that the Ministry of Finance has a great deal of experience in drawing up such short-term and extraordinary budgets. In essence, all budgets of post-Soviet Russia have been like this—in 1991 there were simply two budgets, in 1992 the budget was approved quarterly, and in 1993-1994 the federal budgets were semiannual. But this year the government will insist on the absurdity and harmfulness of such work for one simple reason. The execution of the budget will depend entirely on the granting of foreign loans to Russia, and therefore any steps, even the most innocent ones, on the part of the authorities in budget bookkeeping could arouse the suspicions of the bureaucrats of international financial organizations that the magicians from Ilinka Street have again undertaken to "varnish" the reports. This, of course, could quite well be justification for delaying the next portion of credit.

Incidentally, the passage of the budget took only a couple of minutes toward the end of the hearings. During the remaining 2.5 hours the small audience discussed the new government economic program. A three-year program has already been adopted by the government but Anatoliy Chubays and Yevgeniy Yasin, emphasizing the executive committee's readiness to cooperate, patiently listened to absolutely all the accusations against their brainchild. Incidentally, as is almost always the case in parliament when discussing general economic issues, the discussion was immediately reduced to a clarification of just one issue: What is the nature of Russian inflation—monetary or nonmonetary? Of course the discussion of such subjects has been conducted through the efforts of academicians—yesterday in the hall of the plenary sessions of the State Duma the majority were not deputies but representatives of various scholarly and research organizations.

The majority supported the view that it is pointless to fight inflation by reducing the issuance of money. The only one who spoke out against this view was the former adviser to the prime minister, Andrey Illarionov. But he too criticized the government program for not being liberal enough.

But the accusations from the academicians were more serious. In addition to the typical statements to the effect that the government is continuing to pursue a policy of "deindustrialization," many of the speakers "caught" the government in formal contradictions between the program and the president's message to the Federal Assembly: At a time when the message calls for the government to "turn toward the national producer," the program is oriented only toward unconditional achievement of financial stabilization. Incidentally, the experienced polemicist Anatoliy Chubays did not find it especially difficult to find his way out of the trap—by repeating the already typical set of theses to the effect that low inflation with simultaneous improvement of the qualifications of managers is practically the best protection for national industry. This turned out to be sufficient for the purely academic and therefore not be demanding atmosphere—the economic scholars left holding their opinion and the government, having learned "how opinions have changed," remained with its program.

Moscow Nuclear Reactors Threaten Safety

95WN0129A Moscow KURANTY in Russian 25-26 Mar 95 pp 1, 4

[Interview with Vladimir Kuznetsov, former chief of the Moscow inspectorate for nuclear and radiation safety oversight of the Russian Federal Oversight of Nuclear

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and Radiation Safety, by Marina Yelmanova; place and date not given: "Moscow on a Nuclear Keg"]

[FBIS Translated Text] Tens of nuclear facilities closed to outsiders are located in Moscow and its immediate vicinity. Some of them were built 30, 40, or 50 years ago. What reliability, what safety can one talk about in these circumstances?! All it would take is an accidental breakdown, negligence on the part of service personnel, or someone's—God forbid!—ill intent.... In short, MOSCOW COULD BECOME A SECOND CHERNOBYL.

Vladimir Mikhaylovich Kuznetsov is a familiar name to everyone professionally involved in nuclear power engineering. The former chief of the Moscow inspectorate for nuclear and radiation safety oversight of the Gosatomnadzor [Russian Federal Oversight of Nuclear and Radiation Safety], he shut down 10 nuclear reactors in Moscow in 1992 by classifying them as dangerous for the capital city inhabitants. This courageous step cost him a prestigious position and a job, however. His monograph "State Radiation," in which he cites numerous examples of dangerous practices of nuclear reactors' utilization, as well as of nuclear waste storage and transportation, turned out to be a cry in the desert. Neither did his proposals to get things in order with respect to radiation in the country find response in the Russian Government or among State Duma deputies.

Currently Vladimir Kuznetsov is the director of the Russian Information and Analysis Center for Prevention of Accidents at Nuclear Power Generation Facilities of the International Chernobyl Safety Foundation.

[Yelmanova] According to official data, the radiation environment in Moscow is quite safe now. Do you agree with this?

[Kuznetsov] The presence of nuclear facilities in a city with a multimillion population by itself already is a threat to people's lives and health. There are 63 nuclear research reactors in Moscow and its immediate vicinity. We should also count as potentially dangerous, however, hot chamber units, radioactive waste disposal sites, and spent nuclear fuel storage facilities. Then the number of dangerous facilities will exceed 150. On the territory of the RNC [Russian Research Center] Kurchatov Institute alone, there are 28 nuclear research reactors, 40 hot chambers, various accelerators, X- ray units, Class I, II, and III radiochemical laboratories, plus three radioactive waste storage facilities and two spent nuclear fuel storage facilities.

Also, 769 enterprises in the capital utilize ion radiation sources, which means they generate radioactive waste. Among them is the Hammer and Sickle plant, the ZiL [imeni Lenina Plant], the AZLK [Leninskogo Komsomola Auto Works], the complex ores plant.... Plus medical facilities with instrument sterilization units and X-ray machines....

[Yelmanova] How does that make it dangerous for Muscovites?

[Kuznetsov] Right now three nuclear reactors in Moscow have been shut down. If we strictly follow safety regulations, however, more than 80 percent of all reactors currently in operation should be shut down, since none fully meets modern safety requirements. Their exploitation conforms to the standards that existed at the time they were built, that is, in the 1950's-1960's. For instance, the Kurchatov Institute still runs research reactors that were put into operation in 1954, 1963, and even 1946. They also have a live scale model of the Chernobyl reactor. And all of them are still in operation.

And this is the institute where there had been an accident involving a discharge of radioactive substance, when as a result of excessive radiation three staff researchers died. On top of this, none of the nuclear reactors has a protective cover that could localize within itself radioactive discharge, should one occur.

Despite all this, the RNC Kurchatov Institute's leadership continues to ready for a restart two reactors I had them shut down in 1992. The third unsafe reactor should have been shut down in 1993 at the institute's own suggestion, but it is still operating, endangering hundreds of thousands of people.

By the way, there has been an accident at one of the reactors currently being readied for a restart. The heat-exchanger housing cracked, forming a crack 33 cm wide. As a result, radioactive water spilled out; had all of it spilled, the active zone—that is, nuclear fuel—would have been dehydrated....

[Yelmanova] And what would have happened then?

[Kuznetsov] A "bang," resulting in a Chernobyl. Actually, the consequences would have been on a smaller scale, because it has less nuclear fuel.

[Yelmanova] You are saying that emergency situations at nuclear facilities occur constantly. How do you explain this?

[Kuznetsov] Reactor failures on a massive scale are due to two circumstances: imperfect technology and a lack of safety control. When the technology is not as good as one would wish, routine monitoring is especially important. And the main task of the agency that utilizes nuclear research reactors, as well as of the state oversight of nuclear and radiation safety in Russia, is to prevent accidents, to shut down dangerous reactors in time, or take them out of operation for good.

As to nuclear power stations, they do have government oversight. Although even with the state oversight, there were 498 violations in nuclear stations' operations between 1991 and 1994. With respect to research reactors, state oversight is only now being imposed. Before 1992, no civilian inspector had ever been allowed to enter any Ministry of Defense or Ministry of Atomic

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Energy enterprise. Between 1986 and 1993, more than 800 violations of nuclear safety requirements occurred at the largest research reactors in Russia.

But the main surprise is coming from the Power Generation Technology Research and Design Institute, on Verkhnyaya Krasnoselskaya Street. They are modernizing the IR-50 research reactor, increasing its power 40-fold. They are planning to use the reactor to heat the institute. This is despite the Moscow City Council's 1991 decree on suspending nuclear reactors' exploitation in Moscow. By the way, the first notice regarding the IR-50 modernization came to our center over the "hot line" from this institute's staff member. In other words, their own staff is afraid of such experiments.

[Yelmanova] Does such a practice exist in other countries?

[Kuznetsov] The institute director cites Canada. But I personally would be reluctant to transfer such experience to our soil. Over there, completely different automatic devices are used, and the safety culture there is completely different. Over there, "not recommended" is interpreted as "do not," while here it is read as "why not try it."

The ecological situation in Moscow is already bad enough. For instance, the second circuit of the Kurchatov Institute's reactor is an open-loop circuit. It is cooled by water drawn from an artesian well, and then the water is dumped without filtration into the Moscow River. This may result in radioactive water getting into the river in case a leak occurs through the seal separating the first and second circuits.

In 1993 alone, the Kurchatov Institute "produced" 189.6 tonnes of radioactive waste, including one tonne of highly radioactive waste. Spent fuel storage facilities are 80-90 percent filled. In addition, the 50 years of this institute's activities produced another ecological problem, stemming from the need to rehabilitate the territory of temporary radioactive waste storage facilities. These storage facilities occupy two hectares. Waste has been stored there since the 1940's, and now they contain more than 200 tonnes of summarily highly radioactive waste. The facilities, however, do not meet modern safety requirements in nuclear power generation.

[Yelmanova] Yes, but after all, there are rules for handling radioactive waste; there is an organization whose job is to take it out; there is the Sergiyev Posad disposal site....

[Kuznetsov] Of course, any radiation source has a certain time limit, after which it has to be canned and taken out. However, in the past, waste removal was centralized; now every enterprise has to deal with it on its own. They need money not only to buy radioactive sources but also for their disposal—to pay the Radon company to take the waste out, for instance; and a Gosatomnadzor license permit also costs money.

In addition, there are now many commercial structures, which, according to available information, utilize sources of radiation without any permit. They are even less inclined to spend money on its disposal. That is why we keep finding ion radiation sources in Izmaylovo Park or in the bog near Sergiyev Posad.

Quite often this waste is dumped into abandoned quarries, from which crushed stone is taken, which then ends up at the ferroconcrete components plant, and from there makes its way into the walls of residential buildings. There are quite a few such precedents. Each year, 60-70 areas of radioactive contamination are discovered in Moscow. According to the latest data, among them are Krylatskoye, Lyublino, Strogino, and the Moscow River slope behind the complex ores plant (the Moskvorechye platform on the Kursk Railroad).

We still have not worked out the chain: source acquisition—utilization—disposal. Only very large enterprises have the ability to apply to Gosatomnadzor for a license and pay money for reactor neutralization, that is, disposal. In such uncontrolled situation, sources get stolen and resold, because they cost enormous money.

During the military fighting and the fire in the Moscow mayoralty on 3-4 October 1993, radiation smoke detectors (RSD) were damaged. An RSD is a device that contains plutonium. There were 300 such devices installed in the mayoralty; many of them were damaged by fire and became unusable, but during their replacement it turned out that 13 RSD's have disappeared without a trace.

Nuclear facilities also are dangerous from the standpoint of terrorist acts. The Kurchatov Institute does not have adequate security. The MIFI [Moscow Engineering and Physics Institute] gets a call once or twice a year that an explosive device had been set under the reactor. The last such call was in the fall of 1994.

[Yelmanova] Well, is there at least some hope that true radiation safety will be achieved in the capital?

[Kuznetsov] I can only give this answer: Our center collects, processes, and distributes to the population and organs of legislative and executive authority true information on the state of affairs in this area. However, draft decrees on nuclear safety, which we sent to the Government of Moscow on 14 December of last year, still are sitting on some bureaucrat's desk. While the government decree "On the Comprehensive Ecological Program to the Year 2005" does not even mention the fate of Moscow nuclear reactors.

Location of Nuclear Research Reactors and Radioactive Waste and Spent

Nuclear Fuel Storage Facilities

[Map not reproduced]

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1. 31 Kashira Highway (Moscow Engineering and Physics Institute). 2. 33 Kashira Highway (All-Russia Research Institute for Chemical Technologies). 3. 14 Krasnokazarmennaya Street (Moscow Power Generation Institute). 4. 5 2nd Bauman Street (Moscow imeni Baumana State Technical University). 5. Verkhnyaya Krasnoselskaya Street (Power Generation Technology Research and Design Institute). 6. Khimki, the road fork to Sheremetyevo-2 (Research Institute for Radiation Safety of Space Objects). 7. 1 Kurchatov Square (RNC Kurchatov Institute). 8. 18 Bolshaya Cheremushkinskaya Street (Institute for Theoretical and Experimental Physics). 9. Town of Lytkarino (Instrument-Making Industry Research Institute).

Tatarstan Pursues Economic Ties to Denmark

954F2066A Kazan RESPUBLIKA TATARSTAN in Russian 8 Apr 95 p 2

[Statement of the Press Center of the President of the Republic of Tatarstan: "Meetings on Danish Soil"]

[FBIS Translated Text] For the delegation of Tatarstan on a visit to Denmark, 5 April turned out to be very intensive and packed with various meetings and negotiations.

In the morning President M.Sh. Shaymiyev paid a visit to N. Petersen, minister of foreign affairs of Denmark. During the meeting, the minister declared that Tatarstan was now attracting the great attention of political and economic circles of many countries, Denmark included, by its domestic and foreign policy, and that it would for this reason be very interesting to hear about the present situation in the republic from the head of state himself.

M.Sh. Shaymiyev spoke about the revival of the statehood of Tatarstan, its difficult path toward its sovereignty, the republic's relationship with the Russian Federation, and the conclusion of the treaty between these two countries. He made particular mention of the civilized nature of these relations, achieved thanks to long, painstaking work based on compromise. The president emphasized that Tatarstan's policy is geared to a reform of the Russian Federation on democratic principles in avoidance of the revival of a little empire in place of the collapsed USSR and at assurance of the necessary conditions for the development of the spirituality, language, and culture of the multinational people of the republic.

The president noted also that the big economic and intellectual potential of Tatarstan makes it possible to establish mutually profitable trade and economic relations with all countries, and that this was the purpose of his present trip. The successful economic, financial, and trade cooperation of the Republic of Tatarstan with a number of countries indicates increased interest in us on the part of our partners, to which social stability in the republic and the liberalization of the foreign economic policy of the Russian Federation are contributing also.

The minister of foreign affairs thanked M.Sh. Shaymiyev for his absorbing account, to which, according to him, he had listened with great interest. Mr. Petersen observed that by the establishment of good relations with Russia, Tatarstan had written a new page in the history of relations of big and small countries. Tatarstan's experience, the minister declared, could be employed in other countries also.

At business negotiations between M.Sh. Shaymiyev and the Danish Industrialists Confederation, the parties affirmed the coincidence of their interests in the assimilation of new markets for the sale of commodities. The Danish industrialists declared that they are now working with the regions of Russia directly and that for this reason they regard cooperation with Tatarstan with great interest. President M.Sh. Shaymiyev agreed with his hosts' opinion that clear prospects of the promising cooperation of industrialists of the two countries emerge even from first acquaintance.

The same day, F.S. Sibagatullin, deputy prime minister and minister of agriculture and food of the Republic of Tatarstan, had a meeting with G. Kristensen, minister of agriculture and fisheries of Denmark. The ministers discussed the training of specialists of Tatarstan's agro-industrial complex and the training of farmers with the resources of private farms of Denmark, the creation in the Republic of Tatarstan of joint ventures for animal husbandry products and their processing, and the allocation to them of investments.

A.I. Shchepovskikh, minister of environmental protection and natural resources of Tatarstan, met with L. Bjornskov, minister of environment and energy of Denmark, and discussed with him problems of the organization of joint efforts in the recycling of industrial and household waste and monitoring systems on the territory of the Republic of Tatarstan.

K.S. Bayazitov, chairman of the Tatarstan Union of Consumer Societies, held talks with V. Mogelheim, chairman of the Union of Consumer Cooperatives of Denmark, on these organizations' cooperation in the creation of joint ventures for the production of bread from barley flour and the allocation for this of loans by the Danish Union of Consumer Cooperatives.

In the latter half of the day, the delegation visited the Niro firm, where projects for the modernization of the Alekseyevskiy Dairy and the Buinskiy Sugar Refinery were discussed. It was decided at the meeting to return to a consideration of the projects following their comprehensive and detailed study by specialists.

In the evening, M.Sh. Shaymiyev met at the Embassy of the Russian Federation in Denmark with Ambassador A.A. Obukhov, who arranged a dinner in honor of the president of the Republic of Tatarstan.

On 6 April the delegation of our republic flew from Copenhagen to the city of Haderslev.

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Here it visited the Karl Engel men's tailoring firm, which is known far beyond Denmark. The general director of the K. Engel firm told the guests about the activity of his enterprise and the measures to enhance the quality of the men's suits, coats, and pants and the variety of work clothes, which enjoy great demand. First-class modern equipment, the latest technology, high pay—these constitute the basis of the successful operation of the enterprise. M.Sh. Shaymiyev proposed to the general director the creation of a joint venture in Tatarstan.

The delegation then visited the farmstead of G. Fillipsen, chairman of the Council of Amte (oblasts) of Denmark, and familiarized itself with progressive techniques of pork production on an industrial basis. In an interview with the media following the visit to the farmstead, M.Sh. Shaymiyev emphasized, in particular, that good pedigree breeding, disease prevention, and high mechanization—all this makes it possible to increase the production of pork, and this experience merits study and introduction in Tatarstan. Merely the fact that four kilos less fodder are expended for the production of one kilo of pork is a striking result of the skillful organization of production.

The delegation then met with members of the Sunderland Amt Council headed by G. Fillipsen. At his request, M.Sh. Shaymiyev recounted the history of Tatarstan and described political life, the progress of economic reforms, and the social policy of the republic.

We are attracted in Denmark, the president of the Republic of Tatarstan emphasized, by the high degree of organization of the management of production engineering processes, the efficient development of agriculture, and the model solution of problems of the processing of agricultural products, and also by the strictly thought-out system of the training of farmers and specialists of this sphere, which was seen for themselves once again by the members of the delegation that visited with Deputy Prime Minister F.S. Sibagatullin, minister of agriculture and food of our republic, a school in Grostein.

We have an opportunity to begin joint work on specific projects in many spheres of the national economy, M.Sh. Shaymiyev declared. Thank you for the invitation to visit your country. You are welcome to visit Tatarstan.

On 7 April the delegation of Tatarstan departed for home.

Economic Issues

Yasin Comments on Tax, Foreign Trade, Banking Policies

MK1404134795 Moscow KOMMERSANT-DAILY in Russian 14 Apr 95 p 3

[Report by Kirill Romanov: "I Asked Yasin.... Yasin Made No Answer, Shaking His Head" (pun based on Yasin's name and the word "yasen," which means "ash-tree;" reference to opening line from well-known song)]

[FBIS Translated Text] "Here, I feel more in my element than at a government session, although I am not a capitalist." This was the admission Economy Minister Yevgeniy Yasin made addressing members of the Russian Business Roundtable Presidium. This sounded promising and seemed to portend candor. Just as promising was the presence of Mark Urnov, chief of the presidential Analysis Center. Even so, the meeting between representatives of the country's business community and two highly placed officials, held on Wednesday [12 April] evening, only demonstrated that the state apparat does not have a better idea about a future economic policy than its potential subjects.

"I would be grateful if you told us what we should do"—these words by the Economy Minister surprised none of those present. In fact, the meeting was conducted as an informal consultation on problems of economic policy. Normally they have a standard agenda: taxes, foreign economic regulation, and actions by the Central Bank. Predictably, the economy minister presented the government's planned moves in the sphere of tax policy and foreign economic activity regulation in the most clearcut manner. According to him, a bill is virtually ready which envisions a simplified taxation system for small enterprises with staffs of up to 20. They should all pay a uniform tax in the amount... At this point Yasin said that no decision on the tax rate has been made yet. Tentatively, it will be between 20 percent and 35 percent of revenues.

Yet another liberal move in the sphere of taxation is the government decision to abolish, as of 1 January of next year, the excess wages tax. "This is a hard decision," the Economy Minister said, without seeking to please his interlocutors, because in the current budgetary reality this means a loss of 6 trillion rubles (or 25 percent of revenues from the profit tax). "This sum approximates the money which was embezzled in the process of shipping goods to northern areas," one participant curtly commented on the figure cited by Yasin.

The minister spoke quite definitely about the prospects for Russia's jointing the GATT-WTO: "Russia will not seek to speed up this process." Being the president's personal representative on preparations for a G-7 meeting, he considers it his task to reach agreement on softening the terms demanded of on Russia, because it is in no position yet to meet the requirements of bringing its export-import tariffs into line with international standards.

Commenting on the numerous appeals to revise a recent Central Bank decision whereby 20 percent of all resources on banks' accounts must be used as a mandatory reserve fund, Yasin said bluntly: "All attempts to sway Paramonova are doomed to failure. There are only two persons in the country who can stop her: the president and the prime minister." Having said that, the minister fell into a melancholic mood.

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*Gaydar on Economic Problems, Solutions

954E0856A Moscow DELOVOY MIR in Russian 3-9 Apr 95 p 12

[Interview with Yegor Timurovich Gaydar, doctor of economic sciences and director of the Institute for Economic Problems of the Transition Period, by Leonid Isidorovich Lopatnikov, DELOVOY MIR economic commentator: "Yegor Gaydar: the Laws of Economics Are Inevitable, Like the Laws of Nature"; date and place not given]

[FBIS Translated Text] **We are talking about the Russian economy's pressing problems with Yegor Gaydar, doctor of economic sciences and director of the Institute for Economic Problems of the Transition Period. It is no accident that he has been introduced here not as a State Duma deputy, not as a leader of the Russia's Choice Party and, finally, not as the ex-prime minister of the Russian Government. Since I talked with him not as I would with a statesman, but rather, just as I would with an economic scientist and analyst. This is the kind of tradition which had been established between us—we have talked with Yegor Timurovich many times and always about the same thing: how the country's economy is doing, how to extricate it from the crisis and how to make it stronger, richer and better for the people....**

Reform's Zigzags

[Lopatnikov] Yegor Timurovich! In my opinion, a very important moment has now arrived. After long and wordy battles, the Federal Assembly and the government had drawn up a sufficiently strict budget, it was adopted, the president issued several edicts clearly aimed at the continuation of the reforms' course and MVF [International Monetary Fund—IMF] credit was successfully obtained. To put it briefly, finally, it seems, actual conditions have been created for extricating the country from the crisis and for beginning stabilization. There is a chance of overcoming the situation—perhaps the last chance. And an obvious attempt is being made to take advantage of it, which I observed at the expanded meeting of the government on 24 March, where the government's new medium-term program was approved. I would say that, in the many sections' spirit and content, it is a direct successor to your, as it is called, "Gaydarian" program from the summer of 1992 for intensifying the reforms.

But here is the question, with which I want to begin. The economic policy of Viktor Chernomyrdin's government is being subjected to criticism from various parties. I will not start talking about those who call this government an "occupation" one or something even worse—this is, so to speak, clinical. But even Russia's Choice is being critical—over the deviations from the policy of the reforms. How do you specifically view these deviations and what could have been done better?

[Gaydar] The policy of the government over the 2 years of its existence was diverse and vacillating. There were several stages, during which we regarded it in different ways. I believe, for example, that an enormous mistake of the government is the fact that, in April of 1994, under pressure from the agrarians and communists, it retreated and sharply overestimated the federal budget's expected revenues, simultaneously increasing the rate of monetary emission. The situation which had arisen by this time was complicated, but a whole series of positive effects from the fall (1993) suppression of inflation was clearly perceptible. During this time, the rate of inflation and the interest rate steadily went down; the dynamics of the currency exchange rate stabilized and an increase in the share of long-term credits in the overall amount of credit extended became noticeable; an increase in the share of savings in the public's disposable incomes gradually began, including savings in the national currency and not just in dollars.

These trends are precisely what raised the hope that 1994 would become the year of the stabilization of Russian finances and, thus, the prerequisites for economic growth would be established by year's end.

Unfortunately, the government did not stay on this path and included in the budget knowingly unreal receipts which it knew precisely would not be there. Thus, it reached a compromise with the agrarians and the communists and secured their support for the budget, but the result was a most acute budget crisis. Hence ensued the large-scale underfunding and the increase in the pace of the money supply's growth with the usual consequences: a sharp decline in currency reserves (beginning as of July), the inevitable raising of the interest rate (which happened in the fall) and the currency market's destabilization). There was a renewal of the concentration of business activity in short-term transactions and of the increase in the share of short-term credits in the overall volume of credit extended. In short, the result of all these events, which were typical for the fall of 1994, was the acceleration of inflation from 4 percent in August to 16-17 percent in December and January and, correspondingly, the collapse of the hopes of a possibility of stabilizing the Russian economy in 1994....

But, as of the fall of this same year, so it seems to me, the government returned to the path of a more sensible and reasonable financial policy. We generally support this policy, including its reflection in the budget for 1995, and will continue to do so further. This is precisely why, despite our own comments on the 1995 budget, we supported it.

The Situation

[Lopatnikov] You criticize Chernomyrdin for the fact that he gave in to the lobbyists' pressure and that this wrecked the hopes for stabilization. But I remember the summer of 1992. I remember Gaydar's government. In a situation very similar to this, it also gave in to the demands of the parliament of that time—the Congress of People's Deputies. Moreover, it could not cope with the Central Bank which inundated the country with a flood

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of its own credit under the slogan "Saving the Enterprises." As if the bank's function consists of managing production and not of strengthening the national currency! They supported production for a long time, but did not save it—the slump soon resumed and became even steeper. And inflation carried on so, that you yourself, Yegor Timurovich, as I recall, spoke at one of the meetings of our Reform Club about the imminent threat of real, destructive hyperinflation of the type then raging in Yugoslavia. Perhaps you are criticizing the current government unfairly, Yegor Timurovich?

[Gaydar] No, not unfairly. Your comparison is unfounded. The constitutional situation in 1992 and in 1994 after the adoption of the new constitution—these are two entirely different situations.

[Lopatnikov] What is the difference?

[Gaydar] Let us examine 1992's situation. The government had no means for influencing the Central Bank: it was subordinate solely and exclusively to the Supreme Soviet. The president had no effective veto right. This is why, when, on 3 July 1992, the Supreme Soviet adopted the state budget despite the government's protests... notice, incidentally, it was not the government which proposed, as was the case in 1994, but rather, the Supreme Soviet itself. So, when it adopted a budget which increased the spending portion by 13 percentage points of the VVP [Gross Domestic Product—GDP], the president actually was unable to impose a veto: it basically was overridden by the deputies.

Of course, then, in 1992, the reforms' opponents had immeasurably greater opportunities, leaning on the adopted budget and the Central Bank, which was subservient to the Supreme Soviet, to block any sensible reformist policy. Which is what was done.

Since the end of 1993, after the adoption of the new constitution, we have had the effective right of a presidential veto which, in fact, it is almost impossible for the parliament to override. We have new mutual relations between the government and the Central Bank. Even the recommendation on the removal of the bank's chairman of the board (as happened with Viktor Gerashchenko after "Black Tuesday") is made by the president. To put it briefly, the situation is totally different....

The Government's Mistakes

[Lopatnikov] You said, Yegor Timurovich, that the government has changed its position for the better in the last few months. But now, as far as I know, you do not agree with it in everything. What seems questionable or inadequate to you in its current economic policy?

[Gaydar] First, what seems questionable to us is an approach, under which the burden of paying for stabilization turns out to be clearly unjust and unequal. Here is one example. The budget is sufficiently harsh. Many reserves have been uncovered and used and that is why it has been supported by us. But there are more reserves perfectly obvious and lying on the surface. For example, an increase in the export duty on gas from 2 to 5 ECU [European Currency Unit]. This matter was discussed, but no decision was made. Yet we are talking about very serious amounts. And if you compare today the tax burden on the oil and gas workers, it will be hard for you to understand why it is greater on the former than on the latter. If you study Gazprom's [gas industry] expenditures, for example, on social development and on management staff, then you will discover that this organization's management extravagance clearly does not correspond to the policy of fiscal restraint and financial stabilization, which the government has proclaimed in the federal budget.

Tus, the first demand is, if the economic policy is harsh, it should be harsh for everyone.

Second, against the background of the government's stabilization efforts, it clearly lacks serious work in the area of a whole series of key, long-term problems of the Russian economy. First of all, of course, is the matter of agrarian reform. Over the course of the last few years, no systematic policy in the area of agrarian reform has been evident and it is not evident now either. This policy is being replaced by attempts to "squeeze" something out of the lean state budget, while simultaneously routinely writing off the debts for credits implemented and plundered previously.

I am certain that, without a sensible policy in the area of agricultural reform, based, naturally, on the private ownership market and on the change in the forms and directions of financial support, a stabilization policy will hardly have any chances for success.

We also do not like the lack of systematic work on reforming the army and the armed forces. It is being substituted by an attempt to maintain the overall level of the allocations for the army, but this is a poor substitution. Without serious military reform, without a successive reduction in the number of military units and sub-units, as well as in the overall number of personnel in the armed forces, and without a rejection of the natural economy in this sphere and, correspondingly, the concentration of resources on that which actually ensures the armed forces' combat effectiveness—without all this, we will never have an efficient, modern army. The kind of army we need. I am not even mentioning the fact that, without reform, the armed forces will be exceptionally costly for Russia.

[Lopatnikov] But, if I may, Yegor Timurovich! It is being said that reform, on the other hand, requires higher expenditures....

[Gaydar] This is a lie.

[Lopatnikov] Estimates are being cited: the army will be smaller, but more costly, since the wages of professional soldiers are higher....

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[Gaydar] All these estimates, as a rule, have been based on obvious misrepresentations. If the structure of the allocations for the armed forces is examined, for example, wages, housing expenditures and other expenses, then it becomes clear: what is actually occurring in our country now is the most costly alternative for the economy. Of course, military reform will not give us immediate and graphic results in the sense of a reduction in allocations over the course of a year or two. This is perfectly true. But who is talking about this?

[Lopatnikov] But is it possible to back up your claims with an estimate?

[Gaydar] Such estimates do exist. They prove precisely that which corresponds to common sense: to have an army which is properly manned and corresponds to the country's demographic potential is much more inexpensive and economical than to maintain an army which is constantly undermanned and is constantly suffering from underfunding and, therefore, not very combat capable. I emphasize again that we are not talking about obtaining savings immediately. This will not happen. But a proper program, systematic and with the reforming expected to take 3 years, should be worked out and should be implemented by the government. Its absence, in my opinion, is a very serious flaw.

The third thing which disturbs me in the economic policy being pursued by the government is the evident lack of concern about reducing the state machinery and eliminating superfluous structural subdivisions. As a former prime minister, I know full well that there are quite a few such superfluous units in the federal government's machinery. These are senseless institutions which solve almost nothing. Nevertheless, they exist and are being funded and, what is more, at times, they are the initiators of various hazardous projects—apparently, just in order to simulate proper activities.

[Lopatnikov] Can you give examples?

[Gaydar] Certainly. We have across the entire country agriculture being managed by tens of thousands of people. It would have been possible to man from their group approximately two combined-arms armies of the era of the Great Patriotic War [WW2]. To explain what they do—except for ensuring work on the mobilization of support for the agrarian party—is very difficult. There are, of course, useful activities as well, but they are on the remote periphery in relation to the main thing, in which this most powerful structure engages.

Or explain to me what the Committee on Civil Machine Building does. Which problems has it solved over the course of the last two and a half years? And if you will tell me what the Committee on the Chemical Industry has done over these same two and a half years and to the solution of which problems of this sector it has contributed, I will also listen with interest.

There are quite a few such units, undoubtedly redundant. And there is more. Now, a Federal Treasury is being established and we really do need it. But it is stupidity when attempts are made to plant its organs in each region. Including as well those regions where there is no federal spending, really just to maintain some PTU [Vocational and Technical Institution], the expenditures for which are quite comparable with the cost of maintaining a regional treasury intended to control these expenditures. In fact, a federal treasury is needed there where there are large centers of federal spending, for example, in regions where the military-industrial complex is concentrated, or there where state investment programs and projects are being carried out. They are needed, of course, in the centers of the federation's components. The question is, do we need thousands of new offices in all the regions?

[Lopatnikov] But is the question really being raised like that?

[Gaydar] Of course. Meanwhile, this requires enormous amounts of money. This is one more very serious problem for the current government.

These, if we are to talk about the main things, are our complaints against the economic policy being pursued by the government.

It Is Too Late To Argue—There Is Experience....

[Lopatnikov] But the economic policy of Russia's Choice is also being subjected to criticism from other parties, including frequently on the pages of DELOVOY MIR. On which points do you agree with the criticism and on which do you disagree and why?

[Gaydar] Can you explain which criticism you are talking about?

[Lopatnikov] You know. The usual criticism which has always existed and will remain for a long time....

[Gaydar] They murdered, ravaged, robbed.... the villainous monetarists....

[Lopatnikov] Let us put it this way: the "shock therapy" based on the IMF's formulas instead of a sparing, gradual treatment of the economy. Others put it more scathingly: based on hostile formulas, CIA, zionist—the selection of epithets is large.

[Gaydar] No, let us not talk about this: you yourself have said that there are clinical instances. Let us talk about something serious. So, I would advise my colleagues who are criticizing the policy which we defended and attempted to pursue (we succeeded partly and failed partly) to get acquainted with one basic table. It was published not that long ago in FINANSOVYYE IZVESTIYA [Financial News]. This was a table of the results of the economic policy of the post-socialist countries over the course of the last 4 years. Properly speaking, if Bosnia and Herzegovina, which is a state at war, is excluded from it, and Yugoslavia, which has become the target of sanctions, then there are still 25 countries in all there. I would very much advise our

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opponents to look at what has happened in these countries which adhered to various economic policies in recent years: some—a "shock" policy, a second group—a gradual, inflationary policy, while others changed their policies over the course of this period. Then it will be possible to arrive at several very interesting conclusions.

First, there is not a single post-socialist country, where inflation in 1994 was above 150 percent and economic growth was observed.

And conversely: everywhere where inflation in 1992 was below 50 percent—the economy is now growing.

[Lopatnikov] But, in my opinion, it is not a matter of where inflation in itself was lower or higher. This is the result of various actions. Thus, there was also in Geoffrey Sax' last book a table, a very graphic one. (We published it on the pages of the weekly, DELOVOY MIR, at the beginning of January.) The countries where a harsh monetarist policy was pursued, were compared directly in it with countries where a mild, gradualist policy was conducted. Incidentally, Russia is also listed among the latter....

[Gaydar] In fact, this is the very one I was talking about. There is not a single country, where inflation was conquered and in which economic growth did not resume. And there is not a single country, where inflation remained extremely high, in which the slump in production did not continue. And, between them are those countries, where either growth is beginning, but slowly and uncertainly, or the slump is continuing, but it is also slowing down. These are ones with inflation ranging between 50 and 150 percent.

The second conclusion is this. If you take the post-socialist countries which are advancing rapidly, above the general European level, then each and every one of them—there are seven of them—belong to the category of countries, where radical reforms have been carried out.

The third conclusion is this. I strongly advise a comparison of the economic results of two countries which are at the beginning of reforms, as it were, at different extremes. As is well known, Albania was the most impoverished of the countries of Eastern Europe. While Belarus was a showcase of sorts of Soviet Socialism. In Albania, over these 3 years, a consistent harsh economic policy was pursued. In Belarus, the economic policy was helter-skelter and inconsistent. The results? In Belarus in 1994, the drop in production amounted to 25 percent, while the economic growth in Albania amounted to 7 percent. In 1994, the average wages in Albania in terms of dollars was already twice as high as in Belarus. If someone had predicted this 4 years ago, people would have looked at him as if he were crazy.

[Lopatnikov] But Albania cannot be compared with Belarus in terms of industrial potential and the structure of the economy. It is possible to move faster there. It is easier to start from scratch, as is well known....

[Gaydar] This is really hard to explain, but you are not correct, Leonid Isidorovich. Why, in Turkmenistan, where this powerful industrial potential is also absent, do the results basically not differ in any way from the Belarusian results? Why, in Poland, where the industrial potential is even higher than in Belarus, do the results basically not differ in any way from the Albanian results?

As before, Albania is still a poor country, but the reality is this: in this country today, inflation amounts to 16 percent a year and the economic growth—to 7 percent. It is simply a different economic policy—this is the secret....

So that actually, in 1991, it was possible to argue to the point of hoarseness whether inflation in our country would be demand-based or the inflation of costs, whether or not inflation would react to standard monetary instruments and whether or not normal relationships would be maintained between the money supply, the currency exchange rate, the interest rate, the level of inflation and so on. And even 2 years ago, it was possible to hold scholarly discussions on the shock and gradualist paths for getting out of the post-socialist crisis. But now it is too late to argue. *The basis for discussion has disappeared: history, practice and experience have answered all these questions unambiguously.* Yes, with certain already well-known special features—but the general rules are functioning. And, in general, it is time to understand that the laws of economics are inevitable, like the laws of nature. Consequently, until an economic policy is sufficiently harsh and reformist, there is no hope of stabilizing an economy after the collapse of socialism.

The Searches for a Way Out

[Lopatnikov] Nevertheless, in the press lately, including in DELOVOY MIR as well, numerous alternative programs for extricating the country from the crisis have been published. Academic institutes, research foundations and State Duma deputies are promoting their own programs. The majority of them, reflecting the general dissatisfaction with the situation which has arisen in the country, promote ideas which are clearly contrary to those you have developed here—and the neighbors' experience is also not convincing: Russia, they say, is a special country and it has its own path. What is your opinion on the most important of these programs, for example, on the program of the chairman of the Duma's Committee on Economic Policy, Sergey Glazyev?

[Gaydar] Glazyev's program has been executed skillfully and not without interesting turns, but there are vexing errors in the calculations there. In fact, it has been based on the developments of Andrey Belousov's group from the Russian Academy of Sciences' National Economic Forecasts Institute. So, if you look at the draft, then you will see, for example, that, in the calculations for the rate

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of inflation, the authors are actually proceeding on the basis of the fact that the multiplier which reduces the money supply to the monetary base is equal to one. But this does not happen. This error has led to the fact that all the calculations of the inflationary funding in Glazyev's program are incorrect and everything there should be different. His program has understated the rate of inflation and also adopted an improbably high elasticity for the GDP with respect to the volume of state investments. However, all these are professional fine points. But the overall conclusion is simple: you cannot pull yourself up by your own bootstraps! There could be this error or another there, but no matter which it is, it will not work. The idea of getting out of the industrial crisis under the conditions of high inflation on the basis of an additional monetary emission—this is the basic idea of Glazyev's program—contradicts the hard and fast rule, in conformity with which, when the rate of inflation accelerates, the demand for money falls. You cannot use an additional emission to achieve a real increase in demand because, by increasing the money supply in nominal terms, you are simultaneously reducing it in real terms. I.e., you are not increasing, but rather, decreasing the demand in the economy.

This is why I started, as it were, from the technical detail—why the calculations are incorrect, but the essence of the problem goes much deeper. Included in the program is a concept which, in principle, based on the basic characteristics of the post-socialist economic process, is unsound.

[Lopatnikov] This is interesting news to me. But you know, Yegor Timurovich, such a brochure by economists Gilbo and Sokolov was circulating in the State Duma....

[Gaydar] I have not seen it. I know that there was a plan for getting out of the crisis by eliminating taxes. But this is already beyond the realm of possibilities for a professional comment.

[Lopatnikov] But what about Deputy Stepan Sulakshin? His program was published in DELOVOY MIR. He calculated the cost of a gradual conversion of Russia's national economy into a market one and determined that the time required for this is not less than 24 years. The only thing which surprised me in this arithmetic was the fact that the investments of assets are calculated, but not their return—yet the money will be working and circulating all this time. But what seems more interesting to me is the idea of a two-sector economy, which is also contained in the program. I recall that, when I was working in the TsEMI [Central Economic-Mathematics Institute], we had also studied this concept in detail. Sulakshin's version goes like this: the sectors which produce products of the initial stage of processing remain state sectors, with prices set by the state (the basic sectors: fuel, metals, etc.). While products from the subsequent stages of processing—naturally, these are basically consumer goods—should sell for market prices. It is true that there is no algorithm for the transition from state to market price formation....

[Gaydar] I want to say first of all that Russia really needs large investment resources for the national economy's modernization. This is precisely why it is necessary to bring about financial stabilization as quickly as possible. If your old system of economic management is no longer working, then it must be understood that the financial instability is exactly what is depriving the economy of an inflow of private investments. In light of two quite natural consequences of inflationary funding. The first of these consequences is the flight from an inflationary tax and, correspondingly, the flight of capital abroad, which leads to capital accumulated within the country not being invested in the national economy. And it is possible to combat this without financial stabilization only by introducing a monopoly on foreign trade, which will inevitably lead to the dismantling of the entire system of market regulations. The second consequence is that the capital which remains in the country, under the conditions of inflation, will never be invested in long-term projects, but rather, will be concentrated only in short-term financial projects and, at worst, in commercial transactions.

This is a graphic illustration of the hard and fast economic rule: if there is no stable money, there will never be any investments; if there are no investments, there will be no demand for investment equipment and the drop in production will continue, because our economy consists, first and foremost, of the production of military equipment and investment equipment.

Thus, if there is no demand for investment equipment and the demand for military equipment is falling, then the continuation of the economic slump is completely inescapable.

[Lopatnikov] Incidentally, regarding military production. How do you feel about the fact that the exporting of arms and military equipment is now being speeded up? Sergey Glazyev's old idea is being implemented—he expressed it in our newspaper back when he was working at the Central Economic-Mathematics Institute....

[Gaydar] I regard it favorably. It is necessary that such exporting be increased—this is, first of all, support for high-tech plants. But I am flatly against giving away arms, as was done over the course of many year, for free or to those countries which are knowingly insolvent. If we succeed, without violating internationally recognized accords, in increasing the exporting of arms to solvent countries and at a good price, I will just applaud!

To Everything There Is a Season

Regarding the two-sector economy. This is an interesting ground for theoretical discussions, but the practical realizations should have been started best of all somewhere around the end of the fifties. At the latest, perhaps, at the beginning of the eighties. It is too late to discuss this problem today.

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[Lopatnikov] Why have you named precisely these time frames? And in general, would it not seem that it is never too late to correct a mistake?

[Gaydar] The time frames I named are not random. In neither the first instance nor the second did the communist leadership of the USSR decide to get into reforms: at first, the Chinese-type, which our predecessors had proposed at one time, and later, the Hungarian-type, which we ourselves had already proposed in dozens of memoranda to the so-called directive organs.

But, having waited until the total collapse of the old system of management and having waited until it stopped working—after this, discussing a two-sector economy means totally not seeing the world, in which we live.

[Lopatnikov] But why, in fact, is it impossible today?

[Gaydar] A two-sector economy is not only impossible today, but it is also not necessary. After all, this is a means, as it were, for a gentle way out of socialist industrialization.

[Lopatnikov] This is what Sulakshin is writing about....

[Gaydar] In this connection, it is important to analyze: just what is socialism able to do well or, at least, decently? It is able to concentrate resources for the initial industrial spurt through the enormous redistribution of them from agriculture. The exploitation of the peasantry, investments in heavy industry and the establishment of an industrial base—this is what comes from socialism. It is also just as clear that, after this, there arise the most acute, long-term problems which are associated with the mounting sclerotic processes in the production machinery; after the exhaustion of the possibilities for mobilizing the resources in agriculture, the rate and efficiency of accumulation fall, the structural imbalances are aggravated and the lag behind the market economies which are surging ahead increases. I.e., it becomes clear here that, if it is indeed possible to pull oneself up by one's own bootstraps, then it is only for a short period.

After a period of socialist industrialization, this crisis becomes inevitable in all countries.

And the sooner the communist elite understands this and begins to withdraw gently from socialism and to form a market sector of the economy *alongside* the industrial base, the greater the chances that this process will be more or less painless. China began to withdraw from socialism when more than 80 percent of the population was engaged in agriculture (in 1978). Correspondingly, China was able to allow itself to form a new market sector alongside the established socialist industrial sector. And, to a large extent, to compensate for the problems and troubles which were mounting within the latter—and they were mounting there, this is perfectly evident—due to the dynamism of the forming market sector. Inasmuch as China was able to build it alongside the industrial sector, instead of in place of it, it received an opportunity to shift gradually from state funding of industrialization to private financing. This is the kind of path which was practicable in our country somewhere in the fifties and less practicable in the sixties, when the problems in agriculture were fully apparent and it had become clear that it was no longer possible to draw resources from there. In the eighties, this path was already closed—a powerful and, at the same time, archaic industrial economy had arisen in our country and any turn toward a market meant a crisis for this entire structure. Such a crisis occurred in Hungary, where they began to tune market mechanisms not in place of, but rather, together with the mechanisms of the planned socialist economy.

Now, just imagine. The communist elite is not doing anything for this, waiting for the main fundamental features of the socialist economy to go away completely, for example, the financial restraint and the working system of funds and orders. All of this falls apart and is replaced by uncontrolled inflation, an uncontrolled increase in wages and ignored orders. In essence, the systems for micro- and macroregulation fall apart.

Thus, in such inbetween-systems chaos, which had arisen completely in our country by the end of 1991, to talk about orderly transformations and about the fact that it is possible to form a private sector alongside the stably operating old socialist system (where is it?) was absolutely senseless. And all the more senseless today, when, with enormous difficulty and enormous costs, but, in general, we have managed to launch the mechanisms for new regulation, while the inevitable social crisis has already occurred. Now it is necessary to think about how to develop the financial resources for the renovation of the production sphere. And it is perfectly obvious that, in the new situation, financial resources can be developed only on the basis of private savings and private investments. And this means it is necessary to establish as quickly as possible the prerequisites under which they are possible. And thus, it is necessary to give ownership guarantees as quickly as possible, to go to a low interest rate as quickly as possible and, also, to overcome inflation as quickly as possible. As you see, everything here is interrelated and hard and fast economic logic is operating here.

[Boxed material follows]

In Place of an Epilogue

After the text of the interview had already been prepared and typeset, Yegor Gaydar held a press conference which caused widespread public repercussions. He imparted his predictions about how the country's economy will develop in 1995. It must be said that the predictions are more optimistic than at any time over the last 2 years. On the basis of an analysis of the actual trends and facts, he stated:

"At present, the government's stabilization program has substantial chances for success!"

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In Gaydar's opinion, prior to year's end, the rate of inflation will fall to an acceptable level, under which the resumption of the investment process will be possible; by this time, the slump in production will stop and the resumption of its growth in certain sectors may even begin.

Yet, indeed, back at the end of last year, everything foreshadowed the failure of the program, Yegor Timurovich reminded us; the war in Chechnya had broken out, the inflation flywheel had revved up again, in addition, aggravated by the population's increased inflation expectations, the ruble's exchange rate began to fall swiftly, the Central Bank again had to raise the interest rate, and the receipt of credit from the IMF was delayed because of the events in Chechnya.

The government did not proceed along the catastrophic—in Gaydar's words—path of relaxing the financial policy, rather, it chose the harder but realistic path of tightening it. This is also a poor alternative, inasmuch as the expenditures for Chechnya, all the same, have to be covered at the expense of the social sphere. But—it is not catastrophic. From 1 January to 1 April of 1995, the rate of the growth of the money supply was zero. As a result, conditions have been created for suppressing inflation and for a controlled and very gradual lowering of the dollar-to-ruble exchange rate (for September, Gaydar is predicting an exchange rate of barely more than 5,500 rubles to the dollar). The TsBR's [Central Bank of Russia] prime rate will start to fall, along with the rate for interbank credits. In connection with this, it is true, difficulties are expected in the banking sphere, problems will arise with exporting and attempts are possible to induce deficits, especially in the budget area. But, on the whole, stabilization by year's end is feasible.

In turning to political matters, Gaydar noted that the coming turning point in the economy may have an impact on public attitudes on the eve of the parliamentary elections—if, of course, the voters have time to experience for themselves and to evaluate the changes in the situation and if no unforeseen circumstances arise. Those same forces which opposed the market reforms now want to gain for themselves political capital from the fact that the way out of the crisis has been delayed and inflicted many hardships on the people, Yegor Gaydar warned. This warning is quite timely and appropriate. [End of boxed material]

*Author Suspicious of IMF's Motives in Its Loans to Russia

954E0818B Moscow ROSSIYSKAYA GAZETA (BIZNES V ROSSII SUPPLEMENT) in Russian 31 Mar 95 pp 1-2

[Article by Aleksandr Velichenkov: "Double Standard of Foreign Loans"]

[FBIS Translated Text] **The statement by the government and the Central Bank of Russia is an unprecedented event in our contemporary history.**

We have a judicial solution to the legal conflict that occurred when the Russian Federation Constitution of 1993 put the government in charge of credit and financial policy in Russia, while the Law on the Central Bank of Russia made the bank responsible for financial policy in the country.

Some of the circumstances prior to the issuance of this statement warrant consideration.

The lengthy negotiations between the IMF and Russia on the extension of credit to us ended successfully, and Russia will receive $6.25 billion. The final agreement was reached on 10 March, and this is also the date of the statement, which is far from coincidental—just as the State Duma's approval of the budget literally within a few days after these events was no coincidence either.

We will get the credit, but we will get it in the somewhat uncommon "stand-by" form—i.e., in the form of a set of drafts with different payment dates.

The government now has two main mechanisms of domestic borrowing—state short-term bonds (GKO) and treasury bills (KO). The GKO, floated on a competitive basis (the highest bid), represents a typical pyramid. The yield of the GKO does not fall below 200 percent per annum, whereas the interest on interbank credits fell to 180 percent. The state is willing to pay its debts at rates that even exceed the interbank rate, whereas the KO, on which the treasury pays only 40 percent, is scheduled for virtual elimination in the document.

It is amazing that the government does not want to accept cheap credit, but is pleased to accept expensive and obviously inflationary credit. Through the efforts of IMF experts, who vehemently criticized our KO as nonmarket, inflationary "quasi-money" and so forth, the government gave up this noninflationary, inexpensive, and unconditional credit without taking the trouble to find a suitable replacement. There is a fundamental difference between the GKO and KO. The state has to pay the real market rate of interest on the GKO. The loan cannot be floated without interest. Because the government adds the GKO proceeds to the budget instead of putting the money to commercial use with a return exceeding the debt, the situation in which "one ruble is borrowed today, and three are repaid tomorrow" is a form of direct and unconcealed inflation. The financial market cannot support a pyramid with a denominator of three for long. Payment on old issues cannot be made unless new GKO's are floated. Could this entail budget-secured bond issues?

The financial mechanism of the KO is completely different. This is not an interest-bearing security the holder keeps in the expectation of a high yield, but a genuine working asset. The KO can be used for settlements, including settlements of the chain of nonpayments. It is not convenient for the owner to keep a low-interest security on hand, because the yield is low, but KO's are extremely convenient as "quasi-money." The allegations

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of the IMF experts that the KO's "are not market securities with the market interest rate" are not true. The fact is that securities with similar features—so-called exchange credits—are issued (or floated) by respected banks. They are not credits in the direct sense of the term, but the promissory notes of a reliable and solid bank, with guaranteed liquidity. The interest rate on these credits in the market is from 35 to 40 percent per annum.

Therefore, the IMF arguments are quite debatable in their references to the inflationary and nonmarket nature of the KO. Why did the KO arouse such strong antipathy in the most powerful financial organization in the world?

The assertion that KO's and the IMF "stand-by" credits are essentially the same thing is far from indisputable, but we will try to substantiate it. The government has to fulfill budget obligations and lacks the funds for this. It could sell the latest stand-by credit or the next one in the MICEX [Moscow Interbank Currency Exchange] and pay its bills with the proceeds, but it could also avoid this by using KO's to cover budget expenditures.

In another case the government might need foreign currency for some purpose. It could get it through the IMF credit, but it could also buy it on the MICEX with budget funds and then close the gap with the KO.

In short, the government has two methods of borrowing money: with the aid of the KO, which would be a domestic debt, and with the aid of IMF credit, which would be a foreign debt. The government manages the domestic debt at its own discretion, but it is accountable for its foreign debt to the IMF and to various "clubs" of creditors and has to negotiate with them for new credits, restructuring of accumulated indebtedness, and so forth.

The ratio of domestic to foreign debts is clearly in favor of Russia's foreign indebtedness. It is several times higher than Russia's internal debts. In the United States the situation is the direct opposite. Most of its debt is domestic.

Does the IMF position conceal a desire to close off an effective channel of internal borrowing for the government so that Russia can be kept on a "short leash"? The use of the KO in budgetary practices is just beginning, and some experience is being accumulated in the effective use of KO's as working assets to eliminate the chain of mutual indebtedness. Stopping the issue of KO's today would be the same as taking a crutch away from our lame economy.

According to the Ministry of Finance, which tried to substantiate its decision to eliminate the KO, the problem of nonpayments is a legal matter, not an economic one. This legal approach to the problem of nonpayments would result in a mass declaration of bankruptcy by insolvent enterprises. The economic approach to the problem of nonpayments presupposes saturation of the market with the working assets of enterprises, which cannot be kept in anyone's pocket, exchanged for foreign currency, hidden abroad, or paid out in wages. The main feature of these assets should be quick turnover, which would cover commercial needs and reduce nonpayments, and would generate so much revenue after five to seven cycles that it would be enough to cover the full value of the financial instrument (i.e., the KO). Removing the KO from our economy today would be tantamount to the deliberate and dramatic exacerbation of the nonpayment problem.

Section IV of the document closes the issue of the "fixed ruble exchange rate." None is anticipated this year.

A careful analysis of Section V reveals the duplicity of the IMF recipes for Russia. On the one hand, the IMF has no doubt that Russia is a first-rate borrower, even in view of all of the USSR's debts. The indebtedness of third countries to Russia, the Russian property abroad, and the steady positive balance of payments are all real assets of our country, but their liquidity differs. It would be difficult to use them in business, especially the debts third countries, including CIS countries, owe to Russia.

On the other hand, the IMF is already obstructing the international reciprocal settlement of Russian debts. According to common world practice, the decision should be made by the Paris Club of creditors, but they are in no hurry to accept Russia as a member. The IMF's "double standard" in this area is quite obvious. The IMF's plan for Russia is clear: Cheap and noninflationary internal borrowing is to be discouraged, and Russia is to be forced to accept expensive, proinflationary internal loans and then to follow the IMF around with its hand out when the GKO financial pyramid shows signs of collapse.

Incidentally, the recipe for Ukraine is also simple: Do something so that your (Ukrainian) debts to Russia are restructured for equal payments over a term of five to 10 years, and then we (the IMF) might give you credit. Otherwise, the IMF credit would go through Ukraine in transit to Russia and be returned to the IMF, and Russia would escape the clutches of the IMF. Then the whole carefully planned scenario to turn Russia into a third-rate borrower like Mexico or Brazil would fall apart. That is what lies behind the IMF's touching concern for Ukrainian interests at Russia's expense. The political implications of this IMF move are completely obvious.

Subsection 30 on nonpayments and the methods of settling them apparently got into the sixth section of the statement, the one on privatization, by accident. The suggested exchange-draft approach is not that objectionable and was proposed in a presidential edict half a year ago. In the context of our earlier discussion, however, we can see another discrepancy here. The total supply of money does not exceed R150 trillion. The government plans to use more than half to service its own deficit (see Subsection 9). The remaining R70 trillion will service the GDP—from R650 trillion to R700 trillion in current

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prices, buy stock in privatized enterprises for R20-30 trillion at money auctions, and also service all of the promissory notes for nonpayments for 120 trillion. Is this feasible? All this is to be accomplished at a time when the government has taken measures to restrict the nonmonetary working assets of enterprises. Is it possible that our money supply has acquired the ability to complete 20 cycles a year? Last year it barely made it through 12 cycles.

The eighth and last section of the document makes reference in the title and the text to some kind of "program" no one has ever seen. We can assume, however, that it is part of the memorandum on economic policy Russia prepared for the IMF. This means that IMF representatives will be keeping an eye on the "program," the budget, the balances of payments and trade, the Ministry of Finance, the Ministry of Economics, and the Central Bank of Russia. They will do this on terms legalized in Subsection 38 of the statement, although "Varangian princes" are nothing new in Russia.

There are economic situations in which foreign indebtedness is unavoidable. If the debt of $6.25 billion this year means that the government foresees precisely this kind of situation, the government has always had and still has another method of getting the necessary resources. The economic elements of the procedure in question are quite simple. The Federal Assembly would have to approve a slight change in foreign trade legislation, obligating all importers of our products to make the payments in Russia and in rubles when they sign the contracts for the export of the products from Russia. This would mean that anyone who wants to buy our products would have to bring foreign currency into Russia, sell it on the MICEX or somewhere else, and then pay for the export contract in rubles. This would facilitate currency and export control procedures considerably. It would be virtually impossible to conceal foreign currency proceeds abroad. This, however, is not the main objective.

Total Russian exports can be estimated at $50 billion a year. In other words, this amount should be sold in our country's currency exchanges. Total Russian imports are estimated at $30 billion. They will be purchased by domestic importers of consumer goods to pay for the shipments from abroad. The difference of R20 billion [currency as published] should be purchased by the Central Bank of Russia and the government. There would be no shortage of foreign currency, no new debts, and no need to pay interest.

Skeptics will say that this is not a foolproof plan. This is obvious: Some of the foreign currency will end up in the over-the-counter market. The almost forgotten transfer operations will become popular again. All this is true, but this is a matter of the oversight and control of banks by the Central Bank of Russia and of exports by customs officials within the confines of a different economic situation. In any case, this would be better than following the lead of the "Varangian princes" from the IMF and fighting with our neighbors over "handouts from strangers."

*Stock Market Survey of Privatized Enterprises

954E0854A Moscow DELOVOY MIR in Russian No 13, 3-9 Apr 95 p 7

[Report by Information Analysis Service of National Finance Bureau: "Survey of Privatized Enterprise Stock Prices"]

[FBIS Translated Text] The month of March 1995 will go down in the history of the stock market as the start of the mass monetary privatization of Russian enterprises. Stock in more than 100 large enterprises went on sale that month. They included Kominefi, the YeES Rossiya RAO, and the metallurgical enterprises headed by the Norilskiy Nikel RAO. Schedules for the sale of the largest enterprises in Russia in 1995 had been drawn up by April. Large blocks of stock in the most prestigious enterprises (in the gas and oil complex and so forth) will be reserved for sale in foreign stock exchanges.

A comparison of the events of recent months with the plans of the State Property Committee reveals some interesting facts. From the logical standpoint, the high number of almost simultaneous monetary auctions (and the corresponding offer of additional quantities of stock on the market) should reduce most of the stock prices, but corporate securities have almost reached the limits of their "price dip." A study of the opinions of professional market analysts in recent months pointed up several reasons for the declining value of stocks, except for one—deliberate actions to lower stock prices, planned in advance by respectable entities hoping to buy large blocks of stock. The government is now in a situation in which it cannot allow monetary privatization to fail, but no one is likely to buy blocks of stock at a monetary auction at prices far in excess of the market rate. For this reason, the prices will be set at a lower level. If this assumption is false and if the falling prices of securities are due solely to objective factors, we can expect the decline to continue. There are other objective factors, however, which could have a positive impact on the prices of securities, and these factors are present today.

Vladimir Panskov announced that the agreement on the long-awaited standby credit of $6.25 billion would be signed on the basis of the results of Boris Yeltsin's meeting with Michel Camdessus in the Kremlin on 10 March 1995. In line with the memorandum and joint statement of the Central Bank and government on economic policy in 1995, the cabinet has promised to lower inflation to 1 percent a month by the end of the year and to eliminate centralized credits. These promises have aroused skepticism in the financial community, but the IMF Board of Directors probably will approve the package of financial aid to Russia in April.

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Oil and Gas Industry

Mr. Shafranik, Russian Federation [RF] minister of fuel and energy, has said that the establishment of a network of Russian oil companies will be completed in the first half of 1995. There are eight large oil holding companies in the country now. Three of them—LUKoil, Yukos, and Surgutneftegaz—developed their structures in 1993-1994, and SIDANKO, Slavneft, the Eastern Oil Company, ONAKO, and the East Siberian Oil Company are in the formative stage.

The dispute between LUKoil and Slavneft over the Permneft joint-stock company probably will be settled in favor of the former. The decision to add the Permneft company to LUKoil's holdings was approved by the enterprise labor collective, the Perm Oblast administration, and the RF Ministry of Fuel and Energy. The Permneft extractive enterprise will send its oil to the refineries of the Permnefteorgsintez joint-stock company, which is part of the LUKoil holding company. Furthermore, more than 25 percent of the voting stock in Permneft belongs to legal entities which are also part of the LUKoil structure. The price of LUKoil stock rose 3 percent last week, to $24.15 a share.

At the end of 1993 the IBRD extended $610 million in credit to the Russian Government for the capital repair of oil wells and the renewal of fixed capital and technical equipment in oil fields. The Russian Government extended 272 million of this sum to Kogalymneftegaz. The funds will have to be used before 31 December 1995. The terms of repayment envisage a two-year grace period, followed by 20 payments over the next 10 years. The price of Kogalymneftegaz stock rose 16 percent during the week, to $14.57 a share on 9 March 1995.

According to brokers, the trading in shares of Komineft, Purneftegaz, and Langepasneftegaz was active last week. These stock prices rose 7 percent, 5 percent, and 6 percent respectively. There was more interest in Kondpetroleum stock: The price rose 16 percent.

Despite the active efforts of the Gazprom RAO to expand its holdings and influence, the value of its stock decreased by 11 percent last week, dropping to $0.12 a share. The main reason was the impossibility of registering transactions with these securities for another two weeks.

Nonferrous Metallurgy

There was a lull in the trading of stock in enterprises of nonferrous metallurgy, with a steady rise only in the prices of stock in the Central Ural Copper Smelting Plant (6 percent during the week) and the Krasnoyarsk Metallurgical Plant (2 percent).

The secondary market for stock in Norilskiy Nikel began to show signs of life. The Russian Federal Property Fund confirmed in its Memo No. 14-1/682 of 3 March 1995 that Norilskiy Nikel had complied with the terms of agreements and orders for the sale of its stock by limited subscription and administration subscription. In view of the fact that the results of check and money auctions were summed up earlier by the fund, the legal registrar (Unikombank) is entitled to open the register and begin issuing receipts to shareholders. The presentation of the RAO will be held in the Adam Smith Institute in London on 13-14 March, at which time Mr. Kazakov, the first deputy general director of the enterprise, will inform Western investors of the results of the issuance of stock in Norilskiy Nikel. In spite of this, the price of the stock is still dropping. Last week it fell 7 percent, to $4.26 a share.

There was a negligible increase in the price of stock in Volgogradskiy Alyuminiy—1 percent during the week. The price of stock in the Krasnoyarsk Aluminum Plant stayed the same—$16.74 a share. Stock prices for most of the other issuing entities fell by an average of 3-6 percent.

The Bratsk Aluminum Plant is buying up its own stock at prices far in excess of the Moscow rates (the average quotation in Moscow last week was still $18.50).

Ferrous Metallurgy

The steady rise of stock prices in ferrous metallurgy stopped after they had climbed to a fairly high level. Last week they ranged from $13.17 to $13.44 for stock in the Novyy Lipetsk Metallurgical Combine and from $12.89 to $12.99 for the Nizhniy Tagil Metallurgical Combine. Large-scale remodeling projects began at the Nizhniy Tagil combine, one of the largest enterprises in ferrous metallurgy. The combine signed a contract with the Austrian Fest Alpina firm, by the terms of which Fest Alpina will provide the combine with modern technology for continuous casting and evacuation processes. The renovations will improve the quality of the combine's steel considerably and, it goes without saying, enhance its competitiveness in the foreign and domestic markets.

Machine-Building

There were some changes in the market for stock in machine-building enterprises last week. The price of KamAZ stock rose 7 percent, and the price of ZIL stock dropped 4 percent, to $3.71 a share. Deputy Chief Engineer V. Nosov of ZIL denied the SMI report that the holiday from 1 to 10 March at the plant was due to a lack of funds. In his words, these vacation days were scheduled when the work plan for 1995 was being drawn up last summer. In the second quarter of 1995 the ZIL company plans to complete the work on a new compact car. The administration is also planning a second stock issue. This should secure the investment required for emergence from the financial crisis and for production development. The necessary investment has been estimated at R750 billion.

Transportation

There were no significant changes last week in the transport branch, and the rise in stock prices continued.

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There were particularly sizable increases in the prices of stock in the Baltic Steamship Line—9 percent ($7.40) and the Novorossiysk Steamship Line—14 percent ($37.16).

The Far Eastern Shipping Company is still buying up its own stock. This is motivated by a fear of the probable purchase of large blocks of stock by shadow investors. In the past week the price of stock in this company fell 2 percent, and the quoted price was $46.36 a share. Other stock prices rose by an average of 3 percent.

Woodworking and Construction

The interest of investors in the underrated stock in enterprises of the woodworking industry is not subsiding. The price of stock in the Syktyvkar lumber combine, for example, rose 3 percent, to $19.58 a share on 9 March 1995, and the price of a share of the Bratsk combine rose 1 percent, to $13.00.

There have been positive changes in the branch. Roslesprom and the Ministry of Railways signed an agreement on reduced rail freight rates. This will reduce production costs and allow for increased exports of raw materials from remote regions.

Power Engineering and Communications

The pervasive drop in stock prices in power engineering came to an end last week. The price of a share of the YeES company on 9 March 1995 was $5.80, 6 percent higher than on 2 March 1995. The YeES Rossiya RAO owns blocks of stock in 69 regional power-engineering companies and controls almost all of the largest electric power plants in Russia. The company is a monopolist in the interregional transmission of electricity.

There was an even higher rise in the price of a share of Irkutskenergo (13 percent during the week)—to $2.15. Irkutskenergo owns around 6.5 percent of all of the power-engineering capacities in Russia and three of the largest hydroelectric power plants, where the cost of generating electricity is much lower than the average for the branch. Furthermore, Irkutskenergo is completely independent of the YeES Rossiya RAO, because the latter owns none of its stock.

A large block of stock in MGTS (29 percent) is to be offered for sale at a money auction in the first half of 1995. Predictably, the price of the stock began to drop before the auction, and last week it fell 5 percent, to $183.77 a share. The price of stock in the second largest communications enterprise—the Rostelekom joint-stock company—rose considerably, on the other hand, after a protracted decline. On 9 March 1995 the quoted price was $2.33 a share, which was 11 percent higher than last week's indicator.

*Prospects for Foreign Investment Viewed

954E0858A Moscow KOMMERSANT-DAILY in Russian 11 Apr 95 p 3

[Article by Vadim Bardin under the rubric "Foreign Investment in Russia": "Investors Between Licenses and Expert Evaluation"]

[FBIS Translated Text] *The "Procedures for Government Expert Evaluation of Construction Projects Involving Foreign Capital" has now taken effect. It describes in detail for investors who have decided to carry out in Russia projects that involve construction or reconstruction of particular facilities, which doors to knock on for the purpose of conducting compulsory expert evaluations. It is not enough, however, to conduct an expert evaluation: If the firm that is being set up in Russia by a foreign investor on top of this decides to do its own construction work, it will also need a license. The increase in levers of administrative regulation stems from the fact that the law on foreign investment unties the government's hands with respect to licensing activities.*

What the procedures of undergoing expert evaluation and obtaining a license have in common is that both are part of administrative control over foreign investment. The difference between them is that the law on foreign investment limits expert evaluation to a rather specific scope of instances. Article 14 of the law on foreign investment, in addition to requiring "when so warranted" environmental and sanitary-epidemiologic evaluation, directly envisages compulsory expert evaluation in instances of "large-scale" construction or reconstruction. So, the Minstroy [Ministry of Construction] was fully within its rights to establish procedures for conducting expert evaluations, and the Ministry of Justice—to confirm that these procedures conform with the law.

The Minstroy was sly in only one particular point: It extended the expert evaluation requirement to any construction (regardless of scale); as to departmental licensing, its scope is defined by the law on foreign investment very broadly. Article 20 of the law on foreign investment gives the government the right to define "types of activities carried out by enterprises with foreign investment only on the basis of a special permit."

By themselves, licenses are probably a useful thing—first and foremost of course for the agencies issuing them. The question is whose job it is to decide whether one is needed or not for a particular activity within the industry. As it turns out, there is no optimal answer to this. It is clear that the agency (or its successors) will strive to reinforce its position through licensing. It is impossible to envisage everything in the text of the law. In this connection, it is logical to turn to the government, which theoretically should serve as a filter to keep out departmental lobbyists. Alas, experience shows that this filter is not very reliable. For instance, the law on foreign investment directly specifies only three kinds of licenses: banking (they are issued by the Central Bank); and insurance and operations with securities (issued by the Ministry of Finance). However, Russian agencies' licensing activism (with the connivance of the government) finally caused the IMF's ire, and at the end of 1994 the Russian Cabinet of Ministers had to adopt a special decree "On Licensing Some Types of Activities." Despite vociferous assurances that licensing will be limited to "vitally important interests of the individual,

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society, and state," the list of spheres of activities subject to licensing still contains almost 100 items (naturally, including construction). Thus, despite the attempts on the part of the government and individual agencies to put a limit on the arsenal of administrative measures of authority over foreign investment (the procedures for conducting expert evaluation in construction in among them), more than enough administrative barriers remain on the road of foreign investors in Russia.

[begin box]

State Expert Evaluation of Construction Projects Involving Foreign Investment Is Conducted By:

The Expert Council under the Government of Russia

—on projects submitted for the consideration of the government

—on projects costing $100 million or more (expert evaluation commission as a rule consist of Minstroy and Ministry of Economics specialists together with foreign companies' representatives)

Minstroy Main Administration for State Independent Expert Evaluation

—on projects financed with federal budget investment appropriations, as well as projects involving construction of potentially dangerous facilities

—on technical-economic substantiation of projects financed by the federal budget (it prepares and submits to the Ministry of Economics expert evaluation for holding a bidding).

Federation component organs of the Main Administration for State Independent Expert Evaluation

—on construction projects using local investment resources

—on construction of projects carried out with investor's own financing. [end box]

*Unified Exchange System Seen Beneficial to Regions

954E0840A Moscow IZVESTIYA in Russian (Finansovyye Izvestiya Supplement No 22) 30 Mar 95 p 3

[Article by Igor Doronin, Moscow Interbank Currency Exchange Adviser on Market Conditions: "A Unified Exchange System Can Make the Provinces Richer"]

[FBIS Translated Text] The development of regional currency exchanges rather graphically reflects the present state of Russia's financial market. The growth of the volume of operations on the financial market is being combined with an extremely unstable situation in all its segments. The structure of the operations is acquiring an ever more complex character, and new financial instruments are being introduced. At the same time, the role of the currency segment of the market remains predominant, and the fragmented and disconnected nature of the market's financial institutions, etc., remains intact.

The first stage of the activity of regional currency exchanges is connected with the period of the opening up of exchange currency trade. The currency exchanges have passed through this stage rather successfully.

The second stage of activity, which began essentially in 1994, has been marked by expansion of the range of operations being handled by the currency exchanges. They are gradually changing into multi-purpose institutions and are beginning to operate on other segments of the financial market—the market for interbank ruble and currency loans, the securities market.

At the same time, their disconnected nature remains a common feature for all currency exchanges. Each currency exchange maintains its independence, carrying out its activity within the framework of its own region, taking into account the conditions developing in the regions. (Table 1).

Table 1. Share of Regional Exchanges in the Total Volume of Exchange Trade in U.S. Dollars and German Marks (as a % of the Grand Total)

	U.S. Dollar		German Mark	
	1993	1994	1993	1994
Total	100	100	100	100
MMVB [Moscow Interbank Currency Exchange]	85.7	80.0	77.0	45.6
SPVB [Saint Petersburg Currency Exchange]	7.3	7.2	10.3	13.7
SibMVB [Siberian Interbank Currency Exchange]	2.4	3.5	4.8	2.5
ATMVB [Asia-Pacific Interbank Currency Exchange]	1.9	2.8	—	—
URVB [Urals Regional Currency Exchange]	2.5	5.0	7.1	36.1
RMVB [no expansion provided]	0.2	0.6	0.8	1.2
NVFB [Novosibirsk Currency and Stock Exchange]	—	0.2	—	—
SamMVB [Samara Interbank Currency Exchange]	—	0.7	—	0.9

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If one compares the volumes of operations among the regions on other segments of the financial market, the differences become more pronounced. Thus, operations with short-term state bonds are overwhelmingly handled in Moscow and the Moscow region. The same can also be said of the interbank loans market, where the basic volume of operations again falls to the lot of Moscow and the Moscow region.

Despite the isolation in the activity of the currency exchanges, ties amongst them nevertheless exist. Thus, banks representing practically all regions attend the dollar auctions at the MMVB [Moscow Interbank Currency Exchange]. The number of branches and departments of regional banks participating in MMVB U.S. dollar auctions has increased by 75 percent during 1994 and has approached 40. At the same time, their share in the total volume of dollar sales has declined from 7 percent to 4.3 percent in 1994, and of purchases—from 5.2 percent to 2.9 percent. The reverse process is proceeding in parallel. The interest of the branches and departments of Moscow banks in participating in the auctions of regional currency exchanges is growing. (Table 2).

Table 2. Operations of Branches and Departments of Regional Commercial Banks on the Moscow Interbank Currency Exchange in 1993 and 1994

	Dollar Sales				Dollar Purchases			
	1993		1994		1993		1994	
	billions of dollars	in %	billions of dollars	in %	billions of dollars	in %	billions of dollars	in %
Total	8.2877	100	13.5904	100	9.6404	100	21.8775	100
Including Regional Banks	.5793	7.0	.7126	5.2	.4150	4.3	.6356	2.9

The interest of regional banks in operations on the MMVB currency market is due to a number of reasons. First, an urge to play on the difference in exchange rates. Certain characteristics have developed in the establishment of exchange rates on Russia's regional exchanges. Thus, on the ATMVB [Asia-Pacific Interbank Currency Exchange] the dollar exchange rate, as a rule, is lower than on the MMVB. This can be explained by the relative shortage of ruble funds in the region and also by the fact that auctions on this exchange begin earlier than in Moscow. Consequently, it is more profitable for the branches and departments of the banks of the Asia-Pacific region to sell dollars on the MMVB than on its own exchange. On the SPVB [Saint Petersburg Currency Exchange], on the other hand, the dollar exchange rate often exceeds the exchange rate on the MMVB, since it begins the auctions after the end of the auctions on the MMVB, and if there is an obvious trend toward an increase in the dollar exchange rate in Moscow, then almost certainly the dollar exchange rate on the SPVB exceeds the same day's exchange rate on the MMVB. Correspondingly, it is more advantageous by and large for the branches and departments of the banks of the northwest region to acquire dollars on the MMVB. The net positive balance of the dollar operations of the branches and departments of the banks of the regions mentioned bears out this conclusion. As for the banks of other regions, they also are rather active and carry out a similar game on the difference in exchange rates. However, in this case a net positive balance for the operations depends on the market situation developing in the regions.

Secondly, the branches and departments of regional commercial banks use the MMVB as a conduit for the sale of the currency earnings of the exporter enterprises they serve. As a rule, these are the most significant sellers of currency on the MMVB among the group of regional banks. One can place Arkhangelskpromstroybank, Bashprombank, Tatsotsbank, Permkombank, the Yugorskiy bank, etc., in that category.

In the third place, the branches and departments of regional banks that utilize currency operations in the Moscow region to mobilize and transfer ruble funds to the regions. In this case they purchase currency funds on the MMVB, and they transfer the ruble funds obtained from the sale of dollars in Moscow to the provinces.

Of course, the data concerning the participation of branches and departments in operations on the MMVB do not fully reveal the scale of the participation of regional banks in currency operations. A significant portion of the currency buying and selling operations are handled through the correspondent accounts of the regional banks in the Moscow banks. The latter, on their behalf and at their expense but in their own name, carry out operations on the MMVB and on the non-exchange currency market in Moscow. Thus, on the whole the share of the participation of regional banks in operations on the currency market in Moscow comes to possibly 10 percent. As far as the operations of Moscow banks on regional currency exchanges is concerned, then there, utilizing estimate data, the share is somewhat higher and, according to some calculations, ranges from 25 to 45 percent.

The Central Bank of Russia acts as the most significant integrating factor in the operations of currency exchanges on the currency market at the present

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moment. It handles currency interventions not only on the MMVB, but also on other regional currency exchanges. Moreover, on the latter often on a larger scale than on the MMVB. It thus carries out a policy of smoothing out currency exchange rate fluctuations and of not permitting significant deviations of the exchange rates to form in the regions from the MMVB exchange rate. The loan auctions of the Central Bank play an important role in leveling out money and credit conditions on the regional money markets, which also indirectly contributes to the equalization of the levels of the regional currency exchange rates.

This role of the Central Bank, naturally, does not remove from the agenda the question of the real integration of regional currency exchanges and of the establishment of an unified exchange system, permitting the participants of the currency exchanges of one region to take part in the operations of other regional exchanges on a real-time basis.

Such a project appears promising in terms of the gradual forming of a unified financial space of Russia, of stimulating the interregional back and forth flow of financial resources, and of developing the banking system.

The creation of a unified exchange system for trading in financial instruments requires a significantly higher level of coordination and agreement of the policy of the regional currency exchanges, standardization of requirements as to the membership of currency exchanges and the norms and rules for trading in financial instruments, and the conducting of a unified policy as regards the insuring of risks in exchange trading, as well as regards the serious gaps in the creation of a unified settlement and depository system.

The very development of Russia's financial market requires the solution of this problem. A plan for creating in Russia a large-scale electronic network for non-exchange trading in securities of the American NASDAC trading floor type figures among the basic projects of the Federal Securities Commission for the near future. Implementation of this project does not exclude but presupposes the creation of an interregional electronic securities exchange market functioning in parallel.

*Diverse Opinions on Results of Privatization

954E0819A Moscow ROSSIYSKIYE VESTI in Russian 31 Mar 95 p 1

[Article by Andrey Korshunov: "Some 112,625 Enterprises in the Country Have Been Privatized, But Have We Become Property Owners? Privatization Policy Was Discussed at a Regular Meeting of the RF Government Yesterday"]

[FBIS Translated Text] In all, 112,625 enterprises, or 46 percent of all economic entities, have been privatized in Russia. Around 21,000 enterprises were privatized in 1994 alone, and around 10,000 of these were converted into joint-stock companies of the open type. These figures suggest that Russia could hold the record in speed of privatization.

Nevertheless, the state is still the biggest owner of production facilities. It even owns 7.9 percent of the stock in the joint-stock companies that were created during the process of denationalization.

A random analysis of the performance of enterprises in different parts of Russia indicated that, although production volume is decreasing everywhere, the average reduction of output at privatized enterprises was 10 percent below the figure for state enterprises.

Chronology

1992

October: Privatization checks began to be issued to the population.

December: More than 95 percent of the Russians had received their vouchers.

1993

May: The results of the ZIL auction were summed up after the first sale through the all-Russian auction network.

Uproar: The Bioprotsess private firm, owned by Kakha Benukidze, became the owner of a huge block of stock—18 percent—in Uralmash.

July: The market rate for the check exceeded its face value.

September: The mayor of Moscow announced the inadmissibility of the voucher-based privatization of state property in the capital.

1994

March: An audit of the Neft-Almaz-Invest fund revealed serious abuses by the administrators of the check investment fund.

June: The "gems" of the check campaign—Norilskiy Nikel, the Berezka trading house, Tulskiy Oruzheynyy Zavod, Nizhnevartovskneftegaz, and several others—went on sale at the final auctions of the check-based privatization process.

July: Voucher-based privatization came to an end. As a result of this form of privatization, 40 million Russians became stockholders.

Views and Opinions

Anatoliy Chubays, first deputy prime minister: The main results of the first phase of privatization were the creation of a broad stratum of private property owners following the distribution of privatization checks, and the establishment of the necessary conditions for a

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genuine securities market. The privatization checks entitled each citizen to a share of state property.

Serafima Belushkina, retired Muscovite: Do I feel as if I own anything? It is true that my apartment was privatized. Now it belongs to me and will be inherited by my children, but it would have been theirs anyway because it is the assigned dwelling of my daughter and her husband. We are paying much more for the apartment than we did before. As far as the voucher is concerned, I hardly know what to say. I gave it to the children and they took it to some check fund. At the end of the year we were paid 27,000 rubles—a dividend. This is simply ridiculous. Therefore, I do not feel that I own any kind of state property.

Vladimir Dvornichenko, chairman of Irkutsk Oblast State Property Committee: In my opinion, privatization seemed to be a coercive process from the very beginning in Russia, and the methods of conducting it acquired authoritarian overtones. The social groups that were able to take advantage of its results were relatively few in number.

There is still no direct and obvious connection between the economic effectiveness of enterprises and the form of ownership.

Andrey Kashirtsev, Yekaterinburg municipal procuracy investigator: Many enterprises in our oblast were sold for peanuts. This laid the foundation for a rising number of crimes in connection with property relations. The reapportionment of property has led to fights and homicides. Those who were not in line for a free piece of the pie are throwing their weight around and trying to appropriate the "loot" of weaker adversaries. I think that this phase will be over soon, however. Property will continue to be transferred from one owner to another, but the ultimate owners will be the people who are best at managing the property and earning a profit, and not those who are best at brandishing a weapon and forging strong ties with the criminal underworld.

Sergey Burkov, chairman of RF State Duma Committee on Property, Privatization, and Economic Activity: There are virtually no official statistics of a general nature on the effectiveness or ineffectiveness of the performance of the whole group of privatized enterprises. Several of the steps that were taken during the course of denationalization did much to complicate the work of many enterprises and to exacerbate the recession in industry.

Vitaliy Sychev, vice president of Arsenal industrial group (St. Petersburg): The conversion of our enterprise into a joint-stock company and its subsequent privatization was the only possible escape, in our opinion, from the crisis that took shape in late 1991 and early 1992.

Our work as part of an industrial group alleviated some of the problems resulting from inflation and nonpayments and kept the enterprise afloat.

The Journalist's Point of View

Privatization, which is now in its second (monetary) phase, was never connected solely (or even primarily) with the resolution of economic problems in our country.

It was a political decision of the former Supreme Soviet that sent national privatization down the voucher road. We can and must debate the economic effectiveness of "voucherization," but one thing is clear: The first phase of the transfer of state property to new owners is one of the few completed programs of the era of radical reform, and its completion was also due to the political and administrative efforts of the State Property Committee.

There were and are economic reasons, of course, for the fierce political battle over the forms, methods, and terms of privatization, but the subjective factor—the administrator in charge of a specific branch or region—has played an extremely important role. The lines drawn between "Chubays-Luzhkov" and "Chubays-Polevanov" illustrate this quite eloquently.

When they decided to stop the process of privatization, this was also accomplished by means of the well-known decision of professional politicians. Mr. Polevanov's allusions to the "incorrectly privatized" aluminum industry and to the threat of the seizure of basic industries by foreign capital, Mr. Chubays' demand for a "change in economic policy" and the "delineation of specific guidelines," the staff shakeups in the State Property Committee, and the ideological convergence of the former chairman of the committee and the State Duma's "privatization adjusters" Glazyev and Burkov got the job done in just a few days. Whereas Western investors were prepared, according to AFI data, to invest $300 million in stock in Russian enterprises last November, the figure was down to 20 million by January. This stopped the growth and lowered the market price of stock in privatized enterprises with the strongest appeal to investors, such as the YeES-Russia joint-stock company, Rostelekom, Komineft, and Norilskiy Nikel, in the beginning of this year.

Chairman of the Government Viktor Chernomyrdin declared that the time for equivocation had passed. Macroeconomic stabilization, which had been called the basis of the government policy line, would require quicker and more efficient privatization. This may sound paradoxical, but the consistent continuation of privatization in its new phase will require political will above all else. The perseverance and adherence to principle that were demonstrated by the government's economic bloc—Anatoliy Chubays, Yevgeniy Yasin, and Sergey Belyayev—when the federal budget for 1995 was being approved, confirm the possibility of the manifestation of this will.

*Directive To Stabilize Khabarovsk Kray Socioeconomic Status

954E0837C Moscow ROSSIYSKAYA GAZETA in Russian 6 Apr 95 p 5

[Directive No. 419-d of the Russian Federation Government, Moscow, 29 March 1995]

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[FBIS Translated Text] In order to stabilize the Khabarovsk Kray's social and economic situation, the Russian Federation [RF] Ministry of Finance shall, using the appropriations provided in the federal budget for 1995 to compensate for the rates for electricity within the boundaries of the Far East, allocate to the administration of Khabarovsk Kray funds for reimbursement over the first and second quarters of 1995 of the difference between the average wholesale rate for electricity approved by the regional power commission on the basis of RF Government Decree No. 239 of 7 March 1995 "On Measures for Putting in Order the State Regulation of Prices (Rates)" and the basic rate (with due consideration of the quarterly indexing) approved by the RF Ministry of Finance and the RF Ministry of Economics.

The administration of Khabarovsk Kray, jointly with the RF Ministry of Fuel and Power Engineering, shall submit quarterly to the RF Ministry of Finance and the RF Ministry of Economics proposals on the amounts of the average wholesale rate and the basic rate for electricity and on the necessary compensation.

[Signed] V. Chernomyrdin, chairman of the RF Government.

*Nadezhnost Banking Club Proposal To Modernize Economy

954E0841A Moscow KOMMERSANT-DAILY in Russian 6 Apr 95 p 5

[Article by Mikhail Loginov, with excerpt from Club's statement, under the rubric "Finances": "Statement of the Nadezhnost Club Banks: Other Banks Made a Different Proposal to the Government"]

[FBIS Translated Text] This Tuesday the managers of six of the largest Russian banks, members of the Nadezhnost Club, sent a joint statement to the government in which they presented their proposals for expanding "banks' participation in the process of modernizing the Russian economy."

At the end of last week, the president of Toko-Bank, Viktor Yakunin, clearly inspired by the example of the Treaty on Social Accord, suggested the idea of concluding an Agreement on Mutual Trust between the organs of power and business circles. Essentially bankers promised the government to participate in financing investments in exchange for political and economic stability—renunciation of confiscatory measures in relation to national capital and of constant changes in the "rules of the game," and similar things. At that same time, seven large commercial banks which have traditionally close ties with the government, Agroprombank [Agricultural Industry Bank], Vneshtorgbank [Foreign Trade Bank], Vozrozhdeniye [Renewal], Mosbiznesbank [Moscow Business Bank], Promstroybank [Industrial Construction Bank], Sberbank [Savings Bank], and Toko-Bank, created the Nadezhnost Club to "accomplish the urgent tasks of structural reorganization of the economy." The present statement of the banks which are members of the Club is a logical continuation of the idea of the Treaty on Mutual Trust.

The fact that the Club's statement appeared almost simultaneously with the "statement of the Consortium" (meaning the speech at the meeting of the government by Mr. Potanin, the president of ONEKSIMbank, who offered credit to the government on behalf of a group of banks), adds special interest to the event. Although the Toko-Bank representative denied there was a connection between these events, it is not impossible that the Consortium's speech induced the Club's members to hurry up with their statement.

All this clearly indicates that as of today, two powerful financial groups are taking shape in the country. Both of them have one and the same objective, to achieve in one form or another control over national industry and participate in the process of adopting decisions which determine the development of the domestic economy overall. However, the methods they use to achieve this goal are different. The Consortium, which brings together younger and more aggressive banks, is proposing a more radical solution, de facto "liberation" of the state from its remaining property. And the Consortium has chosen aggressive tactics, an unexpected and effective statement at the meeting of the government, which was immediately disseminated by the mass information media; swift preparation of a packet of documents containing its terms for the deal; direct contacts with influential members of the government in order to enlist their support; and so forth. It turns out that the Consortium is putting itself in the position of almost an equal partner of the government.

The Club is much more conservative, and that is understandable: The banks that comprise it are more conservative. The Club is proposing share participation in financing investments, "Yasin-style," and traditional advancement of credit to particular enterprises under state guarantees, without dealing with questions of ownership. But the deference the banks that are Club members show for the state turns them into advisers at best, or maybe even supplicants. The mild wording of the statement supports this: "in the event the government adopts the appropriate decision," "banks expect," and other phrases. Moreover, as the representative of one of the banks that is a Club member reported, no preparatory negotiations have been held in the government. In response to the question of specifically whom the statement was directed to, the bank's representative answered that it was apparently to the prime minister. As a result, it may be that the Club's statement will in some sense prove to be directed at no one at all, and the government will not consider itself required to answer the statement directly. But the Cabinet will be forced to examine the essence of the Consortium's proposals.

Incidentally, everything that has been said certainly does not mean that the Consortium is "better" than the Club

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and that the distribution of forces has been clarified for good. In reality everything is much more complex. Notably the fact that the Vozrozhdeniye bank is present in both attracts attention. The Consortium's representatives are also "working on" two more members of the Club, Sberbank and Vneshtorgbank, and the outcome of these negotiations is not yet clear. The Club is very strong; it controls one-third of all Russia's banking assets, and in the future different compromises are obviously possible. One thing is certain—Russian banks have become large, and the government will have to reckon with them.

[begin box]

From the Statement of the Banks That Are Members of the Nadezhnost Club

The banks that signed the Agreement (on cooperation within the framework of the Nadezhnost Club—KOMMERSANT) are expressing willingness, in the event the RF Government adopts the appropriate decision, to participate in creating a banking association in which the main objective of activity is to provide financing for priority state programs.

The economic situation that has taken shape in the country... requires decisive and purposeful actions from state organs and all economic structures to create a most favored status for investment activity.

The banks believe that the following steps by the government could promote a positive change in the investment climate:

first, a mechanism for applying tax benefits when investment credit is granted must be developed. Precise regulation of which investment costs are exempted from taxes should be ensured;

second, it is very important to ensure the selective conduct of a policy of accelerated depreciation in relation to sectors, financial-industrial groups, and individual enterprises developed within the framework of the priorities of state investment programs;

third, it is required that tax duties on those groups of imported finished output whose production must be encouraged within the country be raised, and that duties on raw and processed materials and equipment for supporting priority types of production facilities be lowered;

fourth, legislatively fix tax benefits and adopt measures on real state support of leasing transactions.

Commercial banks expect that the RF Government will take concrete steps to expand banks' participation in the process of modernizing the Russian economy. The following things are most important today:

develop and implement a system of guarantees of the repayment of credit resources that banks use to finance investment programs, and in addition carry out measures to reduce nonpayments in the national economy;

refrain from various types of confiscatory measures in relation to commercial banks and other financial institutions, since these measures can destabilize the economic situation in the country. [end box]

*Regulations To Control Foreigners Viewed

954E0829A Moscow KOMMERSANT-DAILY in Russian 30 Mar 95 p 2

[Article by Dmitriy Kamyshev and Maksim Zhukov under the heading "Restrictions on Freedom of Movement": "Freedom of Movement Means Realizing a Need To Restrict It"]

[FBIS Translated Text] The idea that all of Russia's ills stem from foreigners has obviously become so deeply rooted in people's minds that the leaders of many regions regard the struggle against them as one of their top priorities. Moreover, on this issue the provinces have no intention of yielding to the center: The list of components of the Federation that have introduced various types of restriction on foreign citizens includes not only both capitals, but also many other regions, from the Northern Caucasus to Siberia.

The originator of this "great initiative" to introduce restrictions on foreigners and stateless individuals was Moscow Mayor Yuriy Luzhkov. In February 1993 his first attempts to take control of the flow of arrivals proved unsuccessful due to the obstinacy of the Moscow City Soviet. However, nine months later, after the soviet had been disbanded, there was no one capable of preventing the mayor from finally introducing a special procedure for visits to the capital by persons who were not citizens of Russia. St. Petersburg's mayor immediately followed the example of his Moscow colleague. True, law professor Sobchak decided not to stop with the fight against all foreigners, he also developed an initiative that would require all citizens of Russia who arrive in St. Petersburg without the good fortune of being among its permanent residents to register with the police as long as required to.

Following in the footsteps of city leaders in the capitals, regional leaders also took up the issue of foreigners. In 1994 similar normative acts were adopted in Yakutia, Krasnodar Kray (which at the time was headed by Nikolay Yegorov, the current minister of nationalities affairs) and Rostov Oblast, and this year the Yaroslavl Oblast Duma declared open season on foreigners. The principal statements in all these documents mainly coincide: Persons who are not citizens of Russia are required to register upon arrival in the aforementioned areas, pay a registration fee, and periodically make the rounds of bureaucrats' offices humbly petitioning for permission to extend their stay. Naturally the local authorities have a right to deny registration. Naturally those who "violate convention" may be thrown out of that component of

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the Federation. Yet even these bureaucratic refinements are not all: The authors of some of the documents, clearly those with more active imaginations, also include more exotic stipulations, for example, that visitors must receive special invitations, or that local moral standards must be observed. No one has instituted a visa system yet, but this could be the first steps in that direction.

Although the failure of legislators to comply with the law has become something of a tradition in Russia, it seems that the authors of these "anti-foreigner" laws set themselves the goal of violating as many different legal documents as possible at one blow. Starting with international law (citizens from the far abroad are now forced to obtain, in addition to a Russian visa, what are essentially separate visas for each region), the regional chiefs quietly rewrote all the agreements on freedom of travel inside the CIS and even their own Constitution, which would appear to proclaim the right for citizens of Russia to move about and select their places of residence freely.

Of course, following an old Soviet tradition all these bans are adopted by local authorities "at the request of the working people": many regions have "touring performers" to thank for their rising crime rate, and strict control over arrivals, or so regional bosses think, should bring about major improvement in the crime situation. However, there is no real effect, though for the first few weeks after this type of document takes effect the authorities actually are able to report optimistically about the successes they have achieved in apprehending illegal foreigners. After a few months their enthusiasm usually wanes. The only thing that this bureaucratic rage produces is corruption in the "registering agencies," which through no fault of their own find themselves the final arbiters of a complex dilemma: "When it is not allowed to do something, but you really want to do it, then if you ask very nicely it is allowed anyway..."

[begin box]

Comments of a High-Ranking Legal Scholar

From a legal standpoint, decrees by components of the Federation regarding registration of foreign citizens and stateless individuals arriving in a city or oblast constitute certain restrictions on human rights (the right to freedom of movement). Although international practice allows some registration procedure, the "International Pact on Human Civil Rights" notes that that registration should not impinge upon other civil rights (the right to receive education wherever one wishes, the right to own property, etc.).

The Russian Federation Supreme Soviet's 1993 law "On the Right of Citizens to Freedom of Movement and Choice of Place of Residence" stipulates that such registration must not be of an authorizing nature. And Article 55 of the Basic Law states: "The rights and freedoms of a citizen may be restricted by federal law (!) only to the extent that is necessary. Specifically, in order to protect the foundations of the constitutional system, morals, health and the rights and legitimate interests of other individuals, or to provide for defense and security." [end box]

[begin box]

Some Normative Acts by Components of the Federation

November 1993: A directive by the mayor of Moscow entitled "On Introduction of a Special Procedure for Stays in Moscow...": Foreigners visiting Moscow for more than 24 hours must register and pay a state duty and special fee for every day they are in the city; they must re-register every 45 days; and an internal affairs department may refuse to permit a stay in Moscow.

November 1993: A directive by the mayor of St. Petersburg and the first deputy chief of the Leningrad Oblast Administration entitled "On Registration of Citizens...": All persons arriving in St. Petersburg or Leningrad Oblast for more than three days must register; the total length of stay may not exceed six months; and registration of foreigners will require written authorization from the head of the Internal Affairs Main Administration.

April 1994: A decree by the head of the Krasnodar Kray Administration entitled "On Measures To Tighten Control Over Migration Processes...": In order to enter the kray foreigners must be invited; upon arrival they must register and pay a one-time fee, the amount of which will depend upon the length of their stay and the nature of their visit.

June 1994: An edict by the president of Yakutia entitled "On Special Rules for Entry and Stay...": Foreigners must receive a special invitation approved by the local authorities, indicating the purpose of the visit, the length of stay and the address of residence; the authorities have a right to refuse to allow entry or to deport individuals prior to expiration of their period of stay for actions that are contrary to the interests of security and public order or violate established traditions and standards of behavior.

August 1994: A decree by the Rostov Oblast Legislative Assembly entitled "On Procedure for Granting the Right to Permanent Residence in the Oblast": Foreigners must have an invitation for a temporary visit, valid for a period of 45 days; free permanent residence registration is granted only to specialists essential to the oblast economy, on the basis of quotas. [end box]

*Tax Police Chief Almazov Describes Organization's Operations

954E0819C Moscow KRASNAYA ZVEZDA in Russian 30 Mar 95 p 4

[Interview with Sergey Nikolayevich Almazov, director of RF Tax Police Department, by correspondent Oleg

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Falichev; date and place not given: "They Are Stealing from the State and, Unfortunately, There Are So Many of Them"]

[FBIS Translated Text] From the KRASNAYA ZVEZDA files: Sergey Nikolayevich Almazov was born in 1944. He started work as a gas welder at the Gorkiy Motor Vehicle Plant and attended the Gorkiy Polytechnical Institute and the Higher Courses of the KGB. He became a professional counterintelligence agent, spending most of his career serving in territorial government security agencies, and worked in the central headquarters of the USSR KGB for a short time. When the Russian Federal Security Agency was created, he headed the Main Directorate for the Fight Against Organized Crime and Corruption. In 1992 he became the first deputy chief of the Main Tax Investigations Directorate of the Russian Federation [RF] State Tax Service, and in 1993 he began serving as the director of the RF Tax Police Department. He is a lieutenant-general of the tax police.

[Falichev] Sergey Nikolayevich, the very term "tax police" sounds strange to many of our citizens. Some confuse it with the tax inspectorate. Why did the need for your service arise, and how is it different from the rest?

[Almazov] Its birth was connected with the country's entry into the market, its criminalization, and the creation of the class of property owners, many of whom are not law-abiding taxpayers. The Main Tax Investigations Directorate was created first, in March 1992, and then the Russian Federation Tax Police Department was established as an autonomous law enforcement agency in July 1993. We concentrate on cases with criminal implications. At one time, for example, abuses of office were being committed in Yakutia by a group of workers in the bookkeeping offices of the Social Welfare Administration of the Yakutsk municipal government. They were taking large bribes for the concealment of income. They used the money to buy apartments and cars and opened deposit accounts in banks. Furthermore, they became so fascinated with the "process" of earning illegal income that they even began to print false letters of credit. The resulting losses totaled 800 million rubles [R]. The wheeler-dealers were sentenced to prison terms of varying length by the courts. Commensurate sums were collected from them for the state treasury.

[Falichev] But we seem to have the firm conviction that cases involving billions of rubles have to be connected with large and well-known entities....

[Almazov] Today many people handle billions of rubles. The tax police in Volgograd investigated the modest Stroykomplekt partnership, officially registered as an enterprise specializing in several fields. You might think that nothing could surprise today's tax police because they have already "seen it all," but.... The auditors learned that the bank signature card was a forgery and that the signature and stamp of the notary public were also forged. The notary office listed on the documents did not even exist in the city. There was one main objective—to conceal as much income as possible. Now the partnership will have to repay R2.4 billion to the treasury.

Incidentally, this is a common practice: A firm prospers and earns superprofits, but the state tax inspectorate does not even suspect that it exists. It pays no taxes at all. The scales of this practice can be judged from this statistic: In 1994 the tax police investigated 12,000 legal entities that were not registered with state tax inspectorates and were essentially doing business illegally.

[Falichev] Some Moscow newspapers recently reported a conflict between the Tax Police Department and the Taman Division. How could this conflict have arisen if soldiers are exempt from taxes?

[Almazov] That was what I thought before I started working in the tax sphere. The fact is that the army—just as, incidentally, other state structures—is not exempt from some kinds of taxes. Military units still regularly contribute specific amounts of money to the highway fund, for example. Under normal financing conditions, this would be logical: Anyone who uses the network of highways could be expected to pay for its development and maintenance.

Today the army is severely handicapped, and mainly because of the huge amounts the state owes it. The state is cutting army funding with one hand while it is appropriating part of the allocated funds in the form of taxes with the other. This situation sometimes puts commanding officers in an awkward position—they can either pay their personnel on time or pay taxes. This gives rise to the temptation to "adjust" accounting documents. That is what happened in the Taman Division.

[Falichev] Apparently, all of that is true, but does it mean that something similar could occur in other garrisons tomorrow?

[Almazov] It could. This is a problem that has to be solved on the legislative level as soon as possible.

[Falichev] How? The deputies have been treating the army like a pariah for a long time....

[Almazov] I think it has to be solved in such a way that army commanders would worry less about paying taxes than about raising the combat training, discipline, living conditions, and personal comforts of their subordinates to the necessary level. That is my personal opinion.

[Falichev] ...which I expect you to defend in parliament as well, God willing. But here is another question. Why do you think this incident between our agencies caused so much commotion?

[Almazov] I think some people were trying to bring about a head-on confrontation between two government

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structures—the army and the tax police, men in uniform. It goes without saying that certain political interests are clearly discernible here.

We have no reason to pick fights with the army. We have the highest respect for it, and one of the reasons is that there are so many former army officers in the tax police.

Today we have certain structures where more than half of the staff consists of former army officers. Furthermore, I am not referring only to physical defense subdivisions. Some of them have also done well in undercover investigations, discrediting the skeptics who felt that army officers did not belong there. A former submarine commander, for example, became one of the best undercover agents in the Kaliningrad Oblast Tax Police Directorate.

There is nothing incongruous about this. I think society can only benefit from the fact that many former army officers were given a chance to continue serving their country after the reduction of the armed forces.

[Falichev] Like all budget-carried institutions, the military is tired of the chronic delays in cost-of-living adjustments and the payment of food and clothing allowances. For this reason, the amount of tax paid—or, more precisely, not paid—into the state budget is a matter of great concern to the military. What is the present situation? Do you have any good news at all, Sergey Nikolayevich, for the people whose wages are their only source of income?

[Almazov] Even our personnel are experiencing financial difficulties. I can illustrate this with one set of statistics: The state's obligations for wages and allowances alone come to around R15 billion. The amount allocated for the maintenance of tax police agencies in 1995, however, is only 23 percent of the required sum. For this reason, we have had to put artificial limits on staffing, technical equipment, and the development of social programs.

Meanwhile, the overall contribution of federal tax police agencies to the treasury is growing. Whereas we added around R600 billion, $120 million, and 2 million German marks to the state budget in our joint operations with state tax inspectorates in 1993, the additional taxes collected in 1994 amounted to R3.8 trillion, $258 million, and 155 million German marks. Even with adjustments for inflation, the increase is obvious.

There are still difficulties, however, in the collection of budget revenue. According to Ministry of Finance data, for example, more than 20 percent of all the taxes due never reach the treasury. This amounts to trillions of rubles, which could help the government eliminate bottlenecks in the economy and fund more social programs. The most disturbing thing is that the tendency toward a higher rate of tax violations and crimes is constantly growing stronger in Russia. Our statistics confirm this.

Whereas we discovered and prevented 32,000 tax violations and crimes in conjunction with state tax inspectorates in 1993, for example, the figure exceeded 57,000 in 1994. Furthermore, whereas just over 3,000 of the cases in 1993 involved the concealment of large and particularly large amounts of income, in 1994 the figure was already over 8,000. What is more, these cases also became much more "expensive": The concealed income in 399 cases exceeded a billion rubles (69 cases in 1993), and the amount was over 10 billion in 53 cases. We are also dealing with stronger resistance and more sophisticated types of evasion. The legitimate demands of state tax inspectorates and the tax police evoke offers of bribes or threats from some structures with criminal connections. You might say that our personnel have to do their work in a corrosive environment.

[Falichev] Here is my last question. The case of the MMM joint-stock company is probably still the most widely publicized of all the scandals connected with financial structures like Tibet, Vlastilina, and Neft-Almaz-Invest. The manager of that company, however, apparently does not feel that he is to blame. Furthermore, he has continued his extensive advertising campaign....

[Almazov] The case of Mr. Mavrodi is still under investigation by the Moscow Main Internal Affairs Directorate. A tax analysis by prominent experts and academics in the fields of economics, finance, and law and experts on tax laws from the Ministry of Finance, the State Tax Service, and several academic institutions was conducted on our initiative to help the investigators. One of the biggest problems is that the original documents recording the financial operations of some MMM structures were destroyed, and in some cases the operations were never recorded at all. That is why the experts used the balance simulation method. They used bank records, balance sheet addenda, and other information as the basis for this. The experts were unanimous in their conclusion that the evidence of tax evasion is irrefutable. The legal decision will have to be rendered by a court, however, and we can only hope that proceedings will be instituted.

The Mavrodi affair shed light on so many flaws in our legislation, which still does not protect the interests of the average investor. Just look at the United States as an example. Pyramid schemes, in which superprofits are generated by the constant inclusion of new duped investors, are prohibited by law in 46 of the 50 states there. The authorities regard them as a form of fraud.

[Falichev] It is disturbing. The overall situation still does not evoke any optimism....

[Almazov] We have the greatest hopes for the changes that are imminent in tax legislation. The tax code, which is already being drafted, should correct many flaws. The penalties for tax violations and crimes should be much more severe. We expect the new Criminal Code of the Russian Federation to reflect this as well. Finally, more effective mechanisms for the enforcement of tax laws are also being developed and perfected. I think that the combination of all of these should change the situation in our society for the better.

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*Supreme Court Decree Specifies Implementation of Civil Code

954E0819B Moscow ROSSIYSKAYA GAZETA (BIZNES V ROSSII SUPPLEMENT) in Russian 31 Mar 95 p 5

[Decree No. 2/1 of Russian Federation Supreme Court Plenum and Russian Federation Superior Arbitration Court Plenum of 28 February 1995, Moscow, "On Some Aspects of Enactment of First Part of Russian Federation Civil Code": "Judicial Interpretation of the Civil Code"]

[FBIS Translated Text] In connection with the enactment of the first part of the Civil Code of the Russian Federation, the Plenum of the Russian Federation Supreme Court and Plenum of the Russian Federation Superior Arbitration Court **hereby decree that:**

The following clarifying statements are a judicial interpretation:

1. Part One of the Civil Code of the Russian Federation (Footnote 1) (Hereafter referred to as the first part of the Code) went into force on 1 January 1995, with the exception of the provisions for which other dates of enactment were stipulated in the Federal Law "On the Enactment of Part One of the Civil Code of the Russian Federation."

Chapter 17 of the Code will go into force at the same time as the Russian Federation Land Code, approved by the State Duma of the Russian Federation Federal Assembly.

Chapter 4 of the Code went into force on the date of the official publication of the first part of the Code—i.e., on 8 December 1994.

Section 234 of the Code (acquisitive prescription) will also apply to cases in which the ownership of the property began prior to 1 January 1995 and continued at the time the first part of the Code went into force.

2. In accordance with Section 2 of the Federal Law "On the Enactment of Part One of the Civil Code of the Russian Federation," the sections of the 1964 RSFSR Civil Code and of the RSFSR laws "On Property Ownership in the RSFSR" and "On Enterprises and Entrepreneurial Activity" listed in that section of the federal law (with the exception of Sections 34 and 35) ceased to be applicable on 1 January 1995.

Courts and arbitration courts (hereafter referred to as courts) acting in defense of violated or disputed rights in matters under their jurisdiction in accordance with procedural law, however, should bear in mind that the legal provisions that were declared invalid by Section 2 of the above-mentioned federal law will be applicable during the settlement of disputes over rights and obligations that arose prior to the enactment of the first part of the Code.

3. Until laws and other legal instruments in force within the territory of the Russian Federation have been brought into conformity with the first part of the Code, laws and other legal instruments of the Russian Federation and the fundamentals of civil legislation of the USSR and the republics and other legislative enactments of the USSR in force within the territory of the Russian Federation will apply as long as they do not contradict the first part of the Code.

During the settlement of disputes, courts must bear in mind that decrees of the Russian Federation Supreme Court Plenum and Russian Federation Superior Arbitration Court Plenum containing explanations of laws will apply to rights and obligations that arose on or after 1 January 1995 only if they do not contradict the first part of the Code.

4. Legislative instruments published by the president of the Russian Federation and Government of the Russian Federation prior to the enactment of the first part of the Code and decrees of the USSR Government which are applicable within the territory of the Russian Federation will apply to cases stipulated in the first part of the Code as matters to be regulated only by federal laws until the appropriate laws have been enacted.

In line with this, courts must bear in mind that the Statute on Shipments of Goods for Production and Technical Purposes and the Statute on Shipments of Consumer Goods, approved by a decree of the USSR Cabinet of Ministers of 25 July 1988, transport regulations and codes, and other legal instruments and official instructions of ministries and departments on the above-mentioned matters will be applicable within the territory of the Russian Federation, as long as they do not contradict the first part of the Code, until the adoption of the second part of the Civil Code of the Russian Federation or of federal laws regulating the legal relations in question.

5. During the settlement of disputes connected with the establishment and registration of legal entities after 7 December 1994, Chapter 4 of the first part of the Code must be used as a guide, with the requirement that commercial organizations could be established after that date only in the legal-organizational forms stipulated in that chapter of the Code.

The creation of legal entities representing commercial organizations in other legal-organizational forms after the official publication of the first part of the Code will be viewed as a violation of the procedure established by law. The official registration records of these legal entities will be declared invalid.

6. Starting on 8 January 1994 the reorganization or liquidation of a legal entity had to be conducted in accordance with Sections 57-65 of the Code. Otherwise, the decision to reorganize or liquidate a legal entity and the official records of the registration of the legal entity

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created as a result of the reorganization of the other legal entity will be declared invalid by a court of law.

7. In accordance with Subsection 5 of Section 6 of the Federal Law "On the Enactment of Part One of the Civil Code of the Russian Federation," unitary enterprises not categorized as state or municipal property (private enterprises with a single owner, the enterprises of trade union, public, and religious organizations, and so forth) will be covered by the provisions on unitary enterprises based on the right of operational management (Sections 113, 115, 296, and 297 of the Code) until their conversion into economic partnerships, companies, or cooperatives.

In connection with this, courts must bear in mind that if these enterprises do not have enough property, their creditors will be entitled to file suit against the owners of the property (the founders of the enterprises) with subsidiary liability for the debts of unitary enterprises based on the right of operational management.

8. During the settlement of disputes, it must be borne in mind that starting on 8 December 1994 all state and municipal enterprises established prior to that date could exercise property rights only to economic holdings and could not dispose of real estate without the consent of the owner.

Any transactions conducted by these enterprises without the consent of the owner after 7 December 1994 and intended for the expropriation of real property or its disposal by some other means are null and void (Section 168 of the Code).

Agencies authorized by the owner to manage state or municipal property will be entitled to petition the court to invalidate these transactions or to enforce the consequences of the null and void transactions (Section 12 of the Code).

9. The peasant (or family) farm is not a legal entity.

The head of the peasant (or family) farm, however, operating without the establishment of a legal entity, will be considered an entrepreneur at the time of the official registration of the peasant (or family) farm (Subsection 2 of Section 23 of the Code) and, consequently, the sections of the Code pertaining to the activities of legal entities representing commercial organizations will apply to his entrepreneurial activity unless laws, other legal instruments, or the essence of legal relations stipulate otherwise. That is why disputes involving the head of a peasant (or family) farm are under the jurisdiction of arbitration courts.

10. On the strength of Section 9 of the Federal Law "On the Enactment of Part One of the Civil Code of the Russian Federation," the provisions of the Code with regard to the grounds and consequences of the invalidation of transactions will apply to transactions to be deliberated by the courts after 1 January 1995, irrespective of the dates of the transactions.

When these disputes are being settled, the courts must bear in mind that this section of the federal law refers to transactions conducted prior to 1 January 1995 and declared invalid after that date.

11. During the settlement of disputes, the statute of limitations stipulated in the first part of the Code will apply to suits for which the statute of limitations specified in earlier laws had not expired by 1 January 1995.

Because Chapter 6 of the 1964 RSFSR Civil Code is no longer in force, the reduced period of limitation for suits for the collection of liquidated damages (and fines or penalties) and suits for incomplete shipments in Section 79 of this chapter will not be applicable as of 1 January 1995. If the reduced period of limitation had not expired by that date, the general (three-year) statute of limitations will apply to these suits.

The reduced period of limitation stipulated in the 1964 RSFSR Civil Code for suits filed for defects in sold items (Section 249), for shipments of products of inferior quality (Section 262), and for unsatisfactory work performed on contracts (first part of Section 365) and for claims connected with the transport of freight, passengers, and baggage by different means of transport (Section 384) will still be applicable because these sections of the 1964 code are still in force.

The statute of limitations in Articles 249, 365 (first part), and 384 of the 1964 RSFSR Civil Code will not apply to relations between a citizen-consumer who buys and uses the goods and orders or intends to buy or order goods (and work or services) for personal household needs and enterprises, institutions, organizations, or citizen-entrepreneurs engaged in the manufacture and sale of goods and the performance of work or services. The Law of the Russian Federation of 7 February 1992 "On Consumer Rights Protection" stipulates special (reduced and extended in comparison to the general period) periods of limitation for defective goods and unsatisfactory work performed (or services rendered) in these legal relations.

12. The declaration of the expiration of the period of limitation by one of the parties in a dispute will be grounds for the dismissal of a claim on the condition that it is made at any stage of the proceedings before the court renders its decision and that the expiration of the statute of limitations is confirmed by the case file. It must be borne in mind that the declaration of intent to enforce the statute of limitations will not preclude the consideration of the plaintiff's reasonable excuse for the omission of the period of limitation and the request for its restoration, which the court may grant in the presence of the circumstances stipulated in Section 205 of the first part of the Code.

The courts must bear in mind that the period of limitation that has elapsed through the failure of a legal entity or a citizen-entrepreneur to observe the time limit for

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requirements connected with the performance of entrepreneurial activity will not be restored, irrespective of the reason for the nonobservance.

[Signed] V.M. Lebedev, chairman of Russian Federation Supreme Court
N.A. Kolesnikov, acting plenum secretary and justice of Russian Federation Supreme Court
V.F. Yakovlev, chairman of Russian Federation Superior Arbitration Court
A.M. Khachikyan, plenum secretary and justice of Russian Federation Superior Arbitration Court

*Federal Program Using Tied, Free Investment Projects Detailed

954E0818C Moscow ROSSIYSKAYA GAZETA (BIZNES V ROSSII SUPPLEMENT) in Russian 31 Mar 95 pp 1-2

[Article by Aleksandr Velichenkov: "Investment: The State Becomes a Partner"]

[FBIS Translated Text] **On 14 March the Russian Federation Government approved the Federal Investment Program for 1995. The introduction of the concepts of tied and free investment projects is a fundamentally new feature of the program.**

The former are essentially ordinary state orders and will be 100 percent funded by the state, and free investment projects will be financed by the state on a competitive basis and by no more than 20 percent of the required investment.

The treasury plans to participate in the financing of no more than 36 percent—i.e., 62-63 trillion rubles [R]—of all the investments of R170-190 trillion from all sources of funding.

Expenditures on tied projects, which have already been planned in detail, will amount to R16 trillion. The untied (or free) investment projects should cost R1.3 trillion. The basis for the decisions of the Ministry of Finance and Ministry of Economics is Russian Federation Presidential Edict No. 1928 of 17 September 1994 "On Private Investment in the Russian Federation." Although the edict stipulates the allocation of funds for free investment projects in the amount of 0.5 percent of the gross domestic product (i.e., R3-3.5 trillion), the amount is to be limited to the previously mentioned sum at this time. According to the authors, this should result in a total investment volume of R6.5 trillion, and this is close to the volume of treasury bills issued.

The rules for participants in the competitive process are simple. The initiator has to contribute at least 20 percent of the funds, the federal treasury will add the same amount, and the rest should be collected by commercial means. Foreign investment will not be discouraged. Investors will have ownership rights to the project in proportion to the amount they contribute. The procedure for the competitive distribution of centralized investment resources has been approved. The competitive sessions are to be organized and conducted by the Russian Federation Government Commission on Investment Competition.

"For the purpose of the maximum accessibility of the competitive sessions, the commission will be made up of representatives of government agencies and commercial structures." We will return to this statement in the government's investment program.

Within the confines of its 20 percent participation in the projects, the state will grant the investor (or initiator) the right to choose the form of interaction—either a currency-based credit for a term of no more than 24 months, or the transfer of part of the stock to the state and its subsequent sale by the treasury on the open market after two years.

The competitive procedure will be simple—pay 0.05 percent of the cost of the project (refundable if the project is rejected) and submit the required documents to the commission (only the marketing plan is likely to entail any difficulty), and then "wait for an answer."

If your project is approved, you can sign a contract with the Ministry of Finance. The whole procedure should take less than two months.

It is striking that some subsections of the investment contract recommended by the Ministry of Economics (Addendum 4) are contradictory and contrary to existing laws.

In particular, the inclusion of a mortgage on the nonstate investor's property as part of the state financing is completely inconsistent with the transfer of part of the enterprise stock to the state. This can only be done if credit is extended on collateral. Even in this case, the "unconditional transfer of the assets of the nonstate investor to the state in the amount of the state financing in the event of the institution of bankruptcy proceedings against the investor..." is contrary to the Law on Bankruptcy and the Law on Mortgages.

The theoretically ingenious plan of the Ministry of Economics—the creation of financial "growth points" with the 20 percent state injections to attract private investment—might not work for extremely prosaic reasons. What if the investor who initiates the project has capital that has to be "loaded"—i.e., buildings, installations, supply lines, etc.? These are easily included in his 20 percent contribution. He will need financial resources for equipment and working capital. It is quite obvious that the investor's main concern is not the 20 percent from the state, but the 60 percent from outside investors. If the initiator of the project can solve this problem, he is capable of getting along without the help of the treasury. Experience has shown that it is much easier to find investors during the final stages of the work on a project than at the start. Here is another example. After the treasury has invested its 20 percent, who can guarantee

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that the remaining 60 percent will be found and invested in the project? What will happen to the project if the necessary funds from outside investors are not found?

The standard procedural documents completely ignore this question: How much time will the investor-initiator have to "get going"? What if the reconstruction and modernization procedure takes one of the two years of the treasury's grace period? The credit will have to be repaid with interest during the first year of operations (in the case of the credit option). If the project stipulates a rate of 50 percent per annum, exactly half of the profit will have to be turned over to the treasury. How will the other investors or creditors feel in this situation?

It is quite obvious that most of the competitors will choose the option of transferring part of the stock to the state, but this option can also lead to specific problems. What is the value of the stock turned over to the state if the project is to be conducted at an existing enterprise, without the creation of a new legal entity, and if the enterprise has other production units? The enterprise will have a single balance sheet, internal transfers of capital are possible, and the price of the stock will depend on a multitude of circumstances, some of them coincidental. Will the treasury get the value of its contribution plus interest for the stock, or will its funds be used for the maintenance of existing production units, with no appreciable rise in the price of the stock?

There are no answers to any of these questions in the procedural documents. There is the suspicion that the Ministry of Economics plan might also leave loopholes for outright fraud.

I want to say a few words about the "maximum accessibility of the competitive sessions" and the participation of "commercial structures" in them. Obviously, the reference to representatives of the latter means that the Menatep bank, Inkombank, and Stolichnyy bank would secure "maximum accessibility." We will take the liberty of questioning this. First of all, we have already had the sad experience with "accessibility" in the organization of Russian public television broadcasting, in which these banks were prominent participants. Second, with the initial flow of economic information at their disposal, these banks could influence its regulation. They could, for example, reject an intriguing project and then form a partnership with the initiator with no "outside" help after a short interval. This is not a case of "accessibility," but a genuine opportunity for economic reconnaissance by the banks, and the granting of unilateral advantages to structural elements of the market by the state—i.e., a flagrant violation of antimonopoly legislation by the Ministry of Economics. Does this approach to free investment projects have any promise at all? There is no question that all of the funds the Ministry of Finance is able to mobilize for these purposes could be distributed successfully, but no one can predict the subsequent fate of the projects. They are most likely to suffer the fate of the preferential, investment, and conversion credits that met an inglorious end in 1992-1994, especially in view of the considerable difficulty of overseeing the whole group of small and discrete credits.

Theory suggests a different approach—a more effective one, in my opinion—to the creation of "growth points" with budget funds. If the treasury puts the investment resources into a large project for the production of a finished high-technology product—for example, into the modernization of the Izhevsk Motor Vehicle Plant or the completion of the Yelabug Motor Vehicle Plant—these investments will automatically attract a whole series of private investments by related enterprises, then by their related enterprises, and so forth, eight to 10 times in excess of the state investment. Some may argue that this investment chain will not be created because related enterprises already have free capacities of their own. Even in this case, however, they will be filled, jobs will be created, taxes will be paid, and working capital will be required. In any case, even these investments will be four to five times, if not eight to 10 times, in excess of the state investment.

*Noncompetitive Nature of Russian Manufactured Goods Lamented

954E0818A Moscow ROSSIYSKIYE VESTI in Russian 1 Apr 95 p 2

[Article by Ernst Chernyy, member of Russian Federation President's Public Chamber: "Caviar, Fur, and Trained Fleas.... What Else Can We Offer for Sale in the World Market?"]

[FBIS Translated Text] **I remember the old story about the trained flea we exhibited at a fair in the United States, to the amazement and delight of everyone. When our representative asked an American whether they could put shoes on a flea, the man took another look at the flea through the magnifying glass and said: "No one would even try. If there were a demand for a million shod fleas a year, that would be different."**

Surprisingly, it is almost impossible to think of a commodity symbolizing our country and automatically associated with it. Whereas it is easy to associate perfume with France, electronics with Japan, motor vehicles with the United States, and clocks and watches with Switzerland, Russia—if we exclude the production of weapons, the quality of which is appreciated only by a small group of connoisseurs—is associated only with fur or caviar, and these are the products of nature itself. Despite all of our pride and patriotism, we cannot ignore the fact that we have no products, other than raw materials and military equipment, for which there is a relatively high and constant demand in the world market.

Everything we have produced, even in the form of a single, custom-made demonstration model, has been inferior in quality to series-produced Western items. There was the notorious Tu-144, which disappeared

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without a trace after a well-publicized advertising campaign and a few unpublicized accidents, while the Franco-British Concorde is still flying across the ocean successfully. Today we have to buy the engines for new Russian civilian aircraft abroad. The Tu-144 and aircraft engines, however, are within the realm of the military-industrial complex, where almost all of our intellectual elite is said to be concentrated.

A lack of competition is not conducive to progress. It is probable that the only competition we ever had was in aircraft engineering, and the results are indicative: Our "Il," "Tu," "Mig," "Yak," "Su," and other planes are quite satisfactory in quality, but this is more the exception than the rule.

The world has been producing personal computers for around 20 years. They are being manufactured in Taiwan and Hong Kong, in Singapore and South Korea, but our military-industrial complex, which is still absorbing a substantial part of the budget and still has a strong production base, established through decades of effort by the whole country, is just starting out in this field. Computer production should be quite lucrative here, because the cost of our manpower is minimal. Today's limited finances are not the problem: Nothing was being done even then, many years ago, when requests for funds were never denied.

Just consider our motor vehicles, which are comparable in quality to their average foreign counterpart of 15 or 20 years ago. There is simply no need to tell our citizens about our clothing, footwear, and household appliances today—everything is visible to them in the stores.

But we still take pride in our intellectual potential, seize every opportunity to brag about it, and demand budget subsidies for this potential. Where is it? Why is it that this potential did not work for many years and is not working today? If our industrial managers are the best our country has to offer, why is our industry still in the Stone Age? Many of these managers are still impeding reform.

Functionaries from the socialist agricultural system are strident in their defense of the kolkhozes, but it is only logical that if these structures, which absorbed so much of our resources, had been good for anything at all, the country would be brimming with food. The scholastic argument over whether this wheel could make it all the way to Moscow or to Kazan is still going on. Seventy years of experience testify clearly that it cannot get to Moscow or Kazan, or even to Malakhovka. The unnatural legacy of communism can take us only as far as the nearest abyss, and the country, which has been unable to supply itself with food in our own time, is doomed to the humiliating role of a constant supplicant.

The legacy of the planned economy, which on closer investigation turned out to be not a planned economy, but simply a directive system of distribution with certain priorities, is still plaguing us. In that system the branches and enterprises that were assigned high-priority status by communist economic officials got everything, while the rest had to eke out a miserable existence. The after-effects of the arduous "experimental" decades can still be felt. We are unlikely to make any progress until we have acknowledged these after-effects and have made a deliberate effort to surmount them.

Today's problems are rooted in our past. They are the result of indecision and inconsistency in economic reform, and even in political reform.

*Privatization Threatens Power Machine-Building

954E0853A Moscow PRAVDA in Russian 12 Apr 95 pp 1-2

[Article by Nikolay Volynskiy: "They Have Taken the Blades Away from the 'Metal Worker'"]

[FBIS Translated Text] St. Petersburg—**From the files of the correspondents' bureau. In world power machine-building, particularly the production of turbines for electric power plants, the position of the Leningradskiy Metallicheskiy Zavod Joint-Stock Company [LMZ] is as follows: General Electric and BBK (United States), ABB (Sweden-Switzerland), Siemens (Germany), and LMZ. For those who still think that Russia has not invented anything except the samovar and cannot sell anything abroad except hemp, leather, and wax, let us add the following.**

The Leningradskiy Metallicheskiy Zavod holds 10 percent of the world market for power turbines. It would be very difficult to list here the countries and continents to which the LMZ delivers its products. It is easier to name the ones to which they are not delivered: Australia, Malaysia, France, Great Britain, and Italy. In more than 30 countries of the world you will absolutely find items with the trademark LMZ and, possibly, also with the addition: "imeni I.V. Stalin."

Ten percent of the world market is an immense amount. Especially if you take into account the fact that turbo machine-building in the USSR developed very late as compared to the United States, which had already taken over almost everything everywhere. The aforementioned rivals of the LMZ had even been transformed into transnational corporations which greatly monopolized and maintained exclusive access to technological processes—from the production of boilers to the production of generators. Not only were they filled with resolve not to concede a single inch of the space they had conquered, but they were also quite naturally striving to conquer new space.

Leningradskiy Metallicheskiy is one of the few enterprises that managed to survive because of its reserve accumulated back in Soviet times. After 1991 our enterprises and entire branches relinquished one position in the world after another. After 1992 came the domestic crash, and the shutdown of the conveyors of the Kirov

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plant, Uralmash, ZIL, VAZ, and other large, medium-sized and small enterprises. During that time Leningradskiy Metallicheskiy Zavod stood firm as a rock. In addition to its traditional orders from India, South America, and other countries, where the positions of the USSR were traditionally strong, Metallicheskiy Zavod was able to take over orders from Canada. And recently it has sent hydraulic turbines to the United States of America and Mexico. One might say that it did its work right under General Electric's nose.

At the same time the LMZ, now already a joint-stock company which has been through the purgatory of privatization but has still been able to maintain its indepen dence and freedom to maneuver, has again begun to restore the structure of the power machine-building complex. The new "Power Machine-Building Corporation" includes the largest enterprises, financial organizations, and investment funds. There was only one thing lacking in order for the system to gain new power and stability: It did not yet include the Leningrad Plant for Turbine Blades. Without this plant the corporation would have reminded one, for instance, of an automobile without wheels. After the collapse of the USSR, other plants like these ended up abroad—in Ukraine and in other republics to which, incidentally, they were essentially unnecessary....

From the files of the correspondents' bureau. The Plant for Turbine Blades—until the beginning of the 1960's, Metallokombinat—was a small enterprise for producing metal cans, iron corner pieces, and other extremely simple items like that. In 1961 the state invested an immense amount of money in it, installing modern equipment and transforming the combine into the Plant for Turbine Blades [ZTL] which sent its products not only to the LMZ but also to other republics of the USSR. Some 60 percent of the production volume at the ZTL was from orders from the Metallicheskiy Zavod. It had 7,000 employees. After privatization, at the behest of the new owners, mainly foreigners, only 1,800 people remained.

The Plant for Turbine Blades was privatized last year. And approximately 36 percent of the shares ended up in the hands of the little known firm Stumhammer-Amsterdam. It is represented by a certain Yuval Rishe [name as transliterated], who they say is a Dutchman. We will discuss this gentleman a little later. But the main thing is what has come of this turn of events—a real threat: The new master is doing everything possible to prevent the technological integration of ZTL into the Power Machine-Building Corporation (EMK). You cannot do without turbine blades and, that being the case, it is possible to keep LMZ on the hook and to blackmail the entire corporation as well.

This threat was anticipated at Metallicheskiy and everything possible was done to buy up the largest possible number of shares in the ZTL Joint-Stock Company. Last summer LMZ had almost 46 percent. It seemed it would be possible to calm down and continue normal work to the extent that is possible under current conditions.

But LMZ and the entire corporation as well underestimated the real role that was to be played by Yuval Rishe.

To begin with, Rishe tried to dispute LMZ's right to 46 percent of the shares through the arbitration court. Then he tried to exert pressure on the mayor's office, the Committee for Management of State Property, and the Government of Russia. Perhaps he would have succeeded if he had been dealing with a different opponent. But a misfire occurred here, although the democratic press—in St. Petersburg and Moscow—actively supported the Dutchman. Only PRAVDA and one or two other newspapers explained the situation clearly at the time: This was a matter of undermining Russia's national interests.

At the same time another device was put into play. An exotic firm by the name of Booz-Allen & Hamilton was invited to the Plant for Turbine Blades, where a "Dutch" majority headed by the chairman of the board A. Gromov was already firmly in place. It was instructed to do an analysis of the situation at ZTL.

The Plant for Turbine Blades, in the opinion of experts, was no longer capable of producing its main product—blades for turbines. Therefore it had to be switched to all kinds of small items. It was to make primitive forged items, flanges, and other such nonsense. The so-called Dutchman Yuval Rishe immediately stated that there was a colossal market for these products abroad, for which he formed a certain firm on the island of Cyprus.

But what about Metallicheskiy Zavod? And the entire corporation? A "solution" was found for them. And immediately.

We have already discussed in one issue of the newspaper the fact that the powerful company ABB, LMZ's direct competitor, has begun to get established in St. Petersburg, as if it were at home. It has quietly crept in first to the Nevskiy Mashinostroitelnyy Zavod imeni V.I. Lenin. The ABB first quietly drew this competitor into the web of "cooperation" but after less than a year workers of the Nevskiy Zavod did not have a chance to turn around before ABB pocketed 80 percent of the shares in the joint venture. Having been strengthened, ABB officially began to place land mines under its competitors. In particular, Lenenergo for some reason announced with extraordinary temerity its readiness to order turbines for its heating and electric power plants not from Metallicheskiy and not from the Kirov plant or even from the "renewed" Nevskiy Mashinostroitelnyy, but directly from ABB!

But we have digressed somewhat. And so ABB, through various channels, gave the leaders of LMZ to understand: You have lost the Plant for Turbine Blades anyway, conclude a better contract with one of our enterprises abroad and buy turbine blades from us. Everything will be more advantageous, less expensive, and better.

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But the Metallicheskiy Zavod did not give in to the pressure. At LMZ they could see the trap very well. Yes, today foreign turbine blades "abroad" are less expensive because of the artificially inflated prices in Russia. True, they already knew how much transportation costs. But that is not the main thing. Without their own national base of deliveries, the LMZ, and the entire branch along with it, would immediately end up on the hook from which there is only one place to go—the frying pan. Today the blades are inexpensive. But tomorrow they will definitely be more expensive. Such a turn of events is just as inevitable as the fact that tomorrow the sun will rise in the East. No foreigner will ever give a Russian anything he can eat himself.

And therefore the LMZ, as the largest shareholder in the ZTL, could not agree with the program for destroying the production of blades. On the contrary, Metallicheskiy, as was assumed from the results of the tenders, was about to invest in ZTL, but did not do so right away.

While prior to this workers of ZTL and LMZ knew only from hearsay about the customs of the "sharks of capitalism" or read about them in the central party and soviet newspapers, now they had occasion to encounter them in reality. The "Dutch" board of directors, where A. Gromov was in charge, did everything possible to keep LMZ from fulfilling its commitments. The "Dutchmen" were opposed by ZTL director V. Chernyshev. Ultimately the "Dutchmen" became bored with it all and they decided to leave V. Chernyshev alone. But a number of patriotic stockholders called an emergency general meeting at which the board of directors was purged of "Dutchmen." Changes were made in the founding documents which weakened the influence of foreign owners on the affairs of the plant.

But the meeting was conducted with one procedural violation: It was announced not a month ahead of time but a week beforehand. That was not enough time. They were counting on destroying the main production at ZTL. The "Dutchmen" had sold the extremely powerful press and prepared other equipment for sale. Entire shops or parts of them were turned over to private hands (are these not the ravings of a crazy person? Imagine: On a steamship the fire stokers privatized the machine room. The captain commands: "Forward!" But the "private owners" go "backwards"...). The organizers of the meeting hoped that the stockholders would make a decision to save the collective. And that is what happened. The meeting got rid of A. Gromov, confirmed the authority of V. Chernyshev, and elected as chairman of the board V. Shevchenko who, incidentally, is general director of the LMZ Joint-Stock Company. All the decisions were made by an absolute majority of votes from among the overall number of stockholders.

From the files of the correspondents' bureau. The main destructive role at the turbine blade plant is being played by the aforementioned Yuval Rishe, who is acting on behalf of a certain Dutch firm, "Stumhammer-Amsterdam." Unfortunately we have not yet managed to establish which name this "Dutchman's" parents actually gave him, but in any case he is no Dutchman but a former Soviet citizen, from Leningrad, who graduated from the polytechnical institute and then went to the United States, and from there to Israel. He served in the Israeli army.

The second role at ZTL is played by the general director of the Stumhammer-Petro Joint-Stock Company, Zakhar Shver, who before this was the chief engineer at ZTL.

And, finally, even now as a "battering ram" for the latest decision of the stockholders meeting they chose Yemelyan Kandlin, who filed charges against the ZTL Joint-Stock Company and demanded that the general meeting of stockholders be declared illegal.

But while the trial was going on, the deposed A. Gromov got to work. He hired a group of young thugs and established a guard at the plant, which was given the order not to allow V. Chernyshev and V. Shevchenko on the premises. Things almost reached the point of bloodshed. And then the Nevskiy Rayon court, represented by Judge N. Gordeyeva, satisfied Ye. Kandlin's suit and handed down a ruling which amounts to saying that the decisions of the stockholders meeting do not have to be carried out. The judge conducted the proceedings with gross violations and incredible haste: The defendant, that is, the ZTL, was not formally notified of the proceedings nor was the new board of directors, the plant's lawyer who is also its representative was not allowed to be heard, etc. Even greater speed was manifested by the deputy procurator of Nevskiy Rayon, V. Shabunin, who handed down an absolutely illegal "ruling" on the case and also a "clarification" that the "absence of documents" from the last stockholders meetings "confirms the authority of the existing board of directors and its chairman A.S. Gromov." Just think, esteemed reader, about this model of procuratorial logic: For it, the absence of a document is proof! And it knows quite well that there was no "absence," that the necessary documents exist.

Such collisions arise every day in Russia. If we had a patriotic government it would have anticipated this and not allowed this kind of gangsterism. But the government merely remains silent. It encourages gangsters. Our only hope is that a decisive "no to robbing the country!" will be uttered by workers, and, above all, the technical intelligentsia. But so far there is silence everywhere. In certain cases it is explained by the betrayal of worker interests by the trade unions and their bosses, who are continuing to drive black Volgas and to utilize the government "hotlines" which, as before, are connected to Smolnyy. At other enterprises the capitalists are buying the silence of the workers, tossing them a sop in the form of wages that are paid regularly so far. But a certain part of our proletariat naively thinks that since the master has given him a lemon drop today he will not take away his piece of bread tomorrow. He will take it away! He will definitely take it away because that is his

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essence. The current "democratic" union of capitalists (especially foreigners) and workers is a union of the wolf and the lamb.

On 28 April there will be another stockholders meeting at the plant for turbine blades. Today Yu. Rishe and his friends like Kandlin and other "Dutchmen" are working actively at the ZTL—buying off some people, intimidating some people, deceiving some people. Will this meeting confirm the previous decision? If it has enough sense, it will. They did without blood money before, they can do without it now. Do not forget that at the plant for turbine blades alone every fourth person is sentenced by their "benefactors" to unemployment.

*Metered Charges To Be Set for Local Subscriber Telephone Calls

954F2042A Moscow IZVESTIYA in Russian 7 Apr 95 p 1

[Article by Viktor Belikov, IZVESTIYA: "You Will Have To Pay for Idle Talk on the Telephone (Even Inside the City)"]

[FBIS Translated Text] The Ministry of Communications of the Russian Federation informed INTERFAX that it intends to implement time rates until the end of 1996 for the payment of conversations—depending on their length—for subscribers of local telephone networks, similar to what is done in intercity communications. At the same time, the existing monthly subscriber payment will be continued, but only on a partially reduced scale.

It was decided to switch in stages subscribers of the so-called electronic stations (those having the newest equipment) to the new system of calculating the cost of conversations between private persons who use the services of the city ATS [automatic telephone exchange]. All official "city" apparatuses of institutions and organizations that have access to the general use network are being added to them.

The monetary "catch" of the communicators from the innovation promises to be considerable. Just in the past 1994, for example, the first 300,000 Moscow official telephones that were transferred in an experimental procedure to the time rate payment increased the income of the MGTS [Moscow City Telephone Network] by more than a factor of 100 in comparison with 1992.

The transportation and communications department of the Moscow Government, to which we turned for a comment, reported that out of the 4 million capital subscribers, the technical capability to calculate the times of local telephone conversations already exists for 70 percent of the numbers. The rest are now being equipped with additional special meter devices. This "statistic" will be brought together at the capital's ATS-975, and there a computer then makes a printout in the form of accounts for all owners of telephones in Moscow.

It is proposed that several of the first minutes of any conversation will be free and not subject to payment. However, everything that is above this norm will be paid according to an increasing scale. People who with their own purse have experienced the new time rate system, plus the partly reduced subscriber payment per month, say that, in comparison with the rate now in effect, it turns out to be about the same. But who knows what prices the Ministry of Communications will ask of us in a half year?

Finally, the most important thing. Although a similar system has already been tested in some cities, it is unlikely that it will be possible to implement it for all of Russia by the planned date—1 January 1997. The monetary resources and technical capabilities are clearly inadequate now—the costs will run into the billions. In any case, all of Moscow will not exactly succeed in switching to it by that date.

*Use of Bills of Exchange To Pay Energy Debts Assessed

954E0837A Moscow ROSSIYSKAYA GAZETA (BIZNES V ROSSII SUPPLEMENT) in Russian 7 Apr 95 p 7

[Article by Aleksey Vlasov: "Noncash Mutual Settlements"]

[FBIS Translated Text] **The attempts to solve the problem of nonpayments using administrative methods have not met with success. At the beginning of 1995, consumer indebtedness just to the power industry workers for consumed electricity amounted to 14 trillion rubles [R].**

In this situation, economic managers have found a method for writing off debts. But, even given the agreement of all the parties, only 30-40 percent of all mutual settlements are actually going through. The bill of exchange has proven to be the most successful method.

The parties, after determining the mutual debts, pay them off, implementing a transfer (endorsement) of bills of exchange for the amount of the indebtedness. Each transaction involving the acceptance or transfer of a bill of exchange gets documented. These documents form the basis for the accounting department to record the movement of the funds in an enterprise's accounts. In this instance, the bill of exchange is being used as a means of payment in a noncash transaction and its form is of no significance. By using the bills of exchange like this, it is possible to avoid bringing the matter to a close until its presentation for payment (redemption), thus, a bill of exchange may circulate several times and provide for the writing off of mutual debts in amounts substantially exceeding its face value.

Inasmuch as an agreement on supplying consumers is being concluded with the power grid and the power grid in turn is a debtor for suppliers of fuel, spare parts for repairing equipment, and the like, it seems logical to use a system of mutual settlements, under which bills of

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exchange from the power grids' debtor enterprises are used for the electric and heat power supplied to them. After transferring a bill of exchange to the power grid's debt repayment account, the enterprise writes off the entire debt or part of it. The power grid can settle accounts with its own creditors using the enterprises' bills of exchange, they in turn can do so with their creditors, and so a bill of exchange might travel for a long time from organization to organization. When the payment deadline arrives, it may be presented for payment.

However, now enterprises are trying more frequently to obtain products that interest them. It is also possible to use a manufacturing enterprise's bill of exchange to do this.

This method of mutual settlements was developed further in Nizhniy Novgorod, where an agreement was concluded between RAO YeES Rossii [Russian Joint-Stock Company Electric Power Grid of Russia], the Nizhegorod Oblast Administration, AO Nizhnovenergo [Joint-Stock Company Nizhniy Novgorod Power], and one of the banks, in accordance with which enterprises that have a debt to the power grid paid it off using their own bills of exchange. In turn, AO Nizhnovenergo paid off its debt to RAO YeES Rossii using these same bills of exchange. RAO YeES Rossii, having an agreement with the bank about collecting on the enterprises' bills of exchange, transferred the bills of exchange to the bank that carried out the procedure for presenting the bill of exchange for payment (redemption) and obtaining the money from the enterprises, with its subsequent transfer to RAO YeES Rossii.

A special feature of this system is the fact that the enterprises' bills of exchange have been co-signed (payment has been guaranteed) by the Nizhegorod Oblast Administration. This undoubtedly increases the trust in the bill of exchange on the part of all the participants in the mutual settlement. On the other hand, this disciplines the enterprises and increases their responsibility in the payments. This enables the administration to have an influence on the economic and social situation in the region and to control the situation. Similar systems for mutual settlements are already beginning to be implemented in other regions.

The opportunity to participate actively in large transactions with significant monetary assets which have been frozen by the nonpayments crisis has led to a solving of the problem of reducing incurred debts of banks and banking institutions. A system has been worked out and implemented using bill-of-exchange credit, the essence of which boils down to the fact that the first enterprise in the mutual settlement chain obtains preferential credit from the bank (an annual percentage rate of 30-40 percent), but not in money, rather, in bills of exchange from the bank, which it uses to settle accounts with its own creditors.

Then the bank bills of exchange pass along a chain of any length of mutual settlements, until they come to the last participant, who presents the bill of exchange to the bank that issued it for payment. Such a system is being used by the Tveruniversalbank [Tver Full-Service Bank], the Emission Syndicate, and a number of other banks. Systems for using bank bills of exchange may differ from the one cited above, but their essence remains the same—the bills of exchange are drawn up (emitted) by the banks, while they use the funds over the time the bill of exchange passes along the mutual settlement chain. The bank bills of exchange may be both interest-free bills and income-producing bills, i.e., increasing their own value over the time they pass along the mutual settlement chain.

One of the most important indicators of the effectiveness of the mutual settlement carried out is the liquidity of the enterprises' bills of exchange used in it. At first, when the bills of exchange were just beginning to be introduced into the practice of mutual settlements, the mutual settlements' participants had a cautious attitude toward them. But the distrust gradually faded. The bills of exchange issued by the railroad divisions, with whose assistance it became possible to ensure the delivery of fuel to the power plants, turned out to be the most liquid ones. Gradually, enterprises became more willing to settle accounts with debtors using their own bills of exchange and work with them is being conducted quite actively at the level of the power grids.

Just in the second half of 1994, in RAO YeES Rossii, mutual settlements totaling more than R200 billion were carried out, during which use was made of both the debtor enterprises' bills of exchange and the bank bills of exchange, which make it possible upon redemption to obtain "hard" cash for the current account.

The examined examples of systems for mutual settlements using bills of exchange, in principle, are nothing more than more-or-less complicated mutual crediting, i.e., in all of them the bills of exchange are used as a means for legal documentation of the transaction for writing off mutual debts.

*Decrees on Changes of Prices for Natural Gas

954E0837B Moscow ROSSIYSKAYA GAZETA in Russian 6 Apr 95 p 4

[Decrees of the Russian Federation Government]

[FBIS Translated Text]

Decree No. 296 of the Russian Federation Government: "On the Price of Natural Gas," Moscow, 27 March 1995

In connection with the increase in the rate for the excise tax on natural gas, the Russian Federation [RF] Government decrees that:

As a change to Decree No. 878 of the Council of Ministers-RF Government of 13 July 1993 on State Regulation of Prices for Natural Gas and Other Types of

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Energy Resources (Collection of Acts of the President and the RF Government, 1993, No. 29, p. 2890), as of 1 March 1995, it shall be established that the price for natural gas sold to the end consumers (except for the public and housing construction cooperatives) shall be 137,809 rubles [R] per 1,000 cubic meters, while the state regulated wholesale price to industry for natural gas shall be R124,015 per 1,000 cubic meters and the mark-up for gas-sales organizations (resellers) shall be R13,794 per 1,000 cubic meters.

The indicated wholesale price and mark-up shall be subject to indexing in accordance with the established procedure.

The valued-added tax and the special tax shall be levied on top of the indicated price and mark-up.

[Signed] V. Chernomyrdin, chairman of the RF Government.

Decree No. 297 of the RF Government: "On the Price of Natural Gas Supplied to Gas-Sales Organizations (Resellers) for Its Subsequent Sale to the Public and to Housing Construction Cooperatives," Moscow, 27 March 1995

The RF Government decrees that:

1. It shall be established that the supplying of natural gas to gas sales organizations (resellers) for its subsequent sale to the public and to housing construction cooperatives shall be done at the price of R7,000 per 1,000 cubic meters. The value-added tax and the special tax shall be levied on top of this price.

2. The RF Ministry of Economics, in concert with the RF Ministry of Finance, shall review quarterly the natural gas price stipulated in Item 1 of this decree.

3. The first paragraph of Item 5 of Decree No. 878 of the Council of Ministers-RF Government of 13 July 1993 on State Regulation of Prices for Natural Gas and Other Types of Energy Resources (Collection of Acts of the President and the RF Government, 1993, No. 29, p. 2890) shall be declared invalid.

4. This decree shall become effective as of the day of its signing.

[Signed] V. Chernomyrdin, chairman of the RF Government.

***Cartoons Target Sources of Peasant Disgruntlement**

Fertilizer Shortage

954E0788B Moscow SELSKAYA ZHIZN in Russian 11 Mar 95 p 1

[Cartoon by Vladimir Lepkhanov]

[FBIS Translated Text]

Low Meat Quality

954E0788C Moscow SELSKAYA ZHIZN in Russian 21 Mar 95 p 1

[Cartoon by Oleg Pankov]

[FBIS Translated Text]

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Help Not Forthcoming

954E0788D Moscow SELSKAYA ZHIZN in Russian 28 Mar 95 p 1

[Cartoon by Vladimir Lepkhanov]

[FBIS Translated Text]

Bureaucrats Expect Peasants To Feed Them

954E0788E Moscow SELSKAYA ZHIZN in Russian 18 Mar 95 p 1

[Cartoon by Oleg Pankov]

[FBIS Translated Text]

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National Affairs

*Presidential Briefing on Parliament Veto of Edict

954K0530A Kiev URYADOVYY KURYER in Ukrainian 11 Mar 95 p 2

[Article by Oleksandr Bittner: "Briefing at the Administration of the President"]

[FBIS Translated Text] **Ukraine is yet again being held hostage to political games. This conclusion was voiced at a briefing at the Administration of the President at which the consequences of the parliament's veto of the edict of the president "On the Formation of Financial-Industrial Groups" were analyzed.**

The edict of the president "On Financial-Industrial Groups" was necessitated by time itself, stated Volodymyr Ryzhov, assistant to the president for industry issues. It provided for creating equal opportunities for the pooling of various types of capital, which would lay the foundation for reinforcing the entire economic and state-political potential of Ukraine. By vetoing the edict, the parliament demonstrated yet again that the practice of political interference with the sector of industry and finance continues in our state. In view of this, the country is unable to focus its efforts on defending the interests of its people. The shortsighted position of certain political forces in the parliament unfavorably influences the development of events in Ukraine and undermines its prestige and the confidence of the world community. At this point, we will neither overcome the processes of disintegration nor create an integrated industrial and financial complex without pooling banks' and industrial capital, the president's assistant stressed.

Dmytro Tabachnyk, chief of the Administration of the President, believes that the significance of vetoing the edict is broader than that of a mere specific instance of uncoordinated actions of legislative and executive authorities. The very process of the discussion of this issue in the Supreme Council resembled secret actions of some kind. As of the time of discussion not a single representative of the government and the president was in the auditorium of the session, at the very least in order to demonstrate the desire of legislators to familiarize themselves with assessments by experts. For some reason, significant questions concerning the survival of the economy are resolved in private, without all the "pro's" and "con's" being taken into account.

It appears that this is becoming a steady practice of the parliament, the chief of the Administration of the President observed. Confrontation and confusion will continue to prevail in our state in the absence of coordination of the positions of all branches of power and of desire to transcend political ambitions and to cooperate. As it is, the edict of the president "On Financial-Industrial Groups" provides not just for some kind of changes in the structure of taxation or something, shall we say, transient. It concerns a statewide, general political process aimed at consolidating all resources. Dmytro Tabachnyk used the case of the adoption of the law "On the Taxation of Enterprise Profits" as an example of unnecessary, far-fetched consequences of uncoordinated activities of the parliament. The law, passed as long ago as December of last year, was signed and, so to say, saw the light of day in more than a month. This put the structures of executive power, which were forced to hastily calculate the budget for this year, in a very difficult situation. At the same time, the members of parliament discussed quite a number of acts that could have waited. It appears that the Supreme Council lacks an optimal plan of legislative work which would say what should be passed first, the chief of the administration noted.

Some people are inclined to accuse the executive authorities themselves of having an unconstructive approach to cooperation. If nothing else, the work on the draft Law on Power indicates that this is not so. Dmytro Tabachnyk announced that virtually all provisions of this document have been coordinated; its prepared draft will be submitted to the parliament for consideration. Dmytro Tabachnyk praised highly the activities of the established conciliation commission, which has managed to reconcile and incorporate more than 1,000 remarks and proposals within a short period of time.

Participants in the briefing also answered other questions put by journalists.

*Tsekov Receives Recommendations on Forming New Election Okrugs

954F2089B Simferopol KRYMSKIYE IZVESTIYA in Russian 13 Apr 95 p 1

[Recommendation: "'To the Chairman of the Supreme Council of the Autonomous Republic of Crimea, S.P. Tsekov,' from A. Steshenko, chairman of the Commission of the Supreme Council of Ukraine on Questions of State Construction, Activity of Councils, and Self-Government, and V. Volonets, chief of the Department on Questions of the Activity of the Councils of the Secretariat of the Supreme Council of Ukraine"]

[FBIS Translated Text] Esteemed Sergey Pavlovich!

In connection with the adoption of the law of Ukraine "On Peculiarities of the Participation of Citizens of Ukraine Deported from Crimea in Elections of Deputies to Local Councils in the Autonomous Republic of Crimea," we consider it expedient to make recommendations regarding certain technical issues having to do with the formation of additional electoral districts for elections of deputies of rural, village, rayon, city, and rayon-in-city councils from among deported citizens.

1. The aforementioned applications (a sample is appended) for deported citizens concerning their desire to participate in elections in additional electoral districts of deputies of various levels of councils are submitted:

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—from the rural, village, city, and rayon-in-city councils—directly to the rural, village, city, and rayon-in-city electoral commission;

—from the rayon council—to the executive committee of the rural, village, city (cities under rayon jurisdiction) councils or directly to the rayon electoral commission;

—from the city council (for voters residing in territories of rural and village councils under the jurisdiction of city councils)—to the executive committees of the rural or village councils or directly to the city electoral commission.

2. An application to participate in the elections of deputies of local councils in additional electoral districts must be submitted by the deported citizen personally or, on his instructions, by another individual.

3. Applications that are submitted are registered in a special journal (for each council individually) in which the following are indicated: the number in order, the date of receipt of the application, the surname, given name, and patronymic of the applicant, the date of birth, the address of residence and the signature of the individual submitting the application.

4. Applications from deported citizens wishing to participate in the elections of deputies to rayon and local councils in additional electoral districts submitted to the executive committee of the rural, village or city (city under rayon jurisdiction) councils are registered in a separate journal according to the procedure envisioned by point 3 of this letter and submitted accordingly to the rayon or city electoral commissions.

5. On the basis of applications that are submitted the corresponding territorial commission makes a decision concerning the formation (if the number of applications is no less than the average number of voters per one basic electoral district for elections of deputies of the corresponding council) or to refuse to form additional electoral districts.

The decision on the formation of additional electoral districts will be reported to the population of the corresponding administrative-territorial unit within three days after it is made.

We request that you immediately inform the local councils and the corresponding territorial electoral commissions of these recommendations.

[Signed] A. Steshenko, chairman of the Commission of the Supreme Council of Ukraine on Questions of State Construction, Activity of Councils, and Self-Government
V. Volonets, chief of the Department on Questions of the Activity of the Councils of the Secretariat of the Supreme Council of Ukraine
10 April 1995

*New Party for Defense of People Formed

954K0530B Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 11 Mar 95 p 2

[Article by Mykola Petrushenko under the rubric "Top Secret": "A Vacancy at the Feeding Trough. From a Leader's Presentation at the Constituent Assembly of a New Party"]

[FBIS Translated Text] Owners! Do not be afraid, I will not talk about who owns what. This is everyone's private matter. The main point is that all of us have assets to protect and things to get stuck to our fingers. We have always been on the ball during the times of stagnation, perestroyka, and rampant democracy: We have known what to do, how to do it, and with whom. This is why we have lived, we are living, and I am certain that we will live on. Therefore, allow me to call you the owners of ideas. Thanks to our sharp minds we have our daily bread and things to go with it. You are the leaders! I repeat: leaders!

We represent a sector that directly concerns the stomachs of our fellow countrymen. Under any regime our society needs us and we need it. However, life is getting tougher. There are more and more claimants to our pie and our sausage. I must note that the new leaders are fleecing everyone more brazenly, and even do not wish to reckon with us in all instances.

All those who are reaching out to grab goodies form parties. In the process, their leaders come up with various slogans, like opening an umbrella in the rain. The essence of all the slogans is the same: The party ate, the party eats, and the party will eat! That is to say, the helmsmen of the parties are wise people and know how to ensure their own prosperity.

We are not against this. However, many parties have sprung up. They leached and are leaching off simpletons who fend for themselves. The leeway for profiteering by party and movement leaders is growing smaller. All of you have perceived that the new leaders are beginning to get in our way. We cannot endure in isolation.

However, we are the owners of ideas! To continue prospering we should take advantage of the approach that the new leaders have adopted—unite in a party. Since the principal slogan of most parties "The party ate, the party eats, and the party will eat!" is skillfully disguised with an attractive name, I suggest that we also make this move.

We will officially call our creation the PZL [Party for the Defense of the People]. It has a nice ring to it! However, all those in attendance here understand that this is the Party for the Enrichment of the Leaders [also abbreviates to PZL in Ukrainian]. That is to say, we will be like everyone else.

We should come up with nicknames and passwords and designate safe houses in order to keep things under

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wraps. In a word, let us act! The party ate, the party eats, and the party will eat! Long live the PZL!

*Law Accommodating Former Deported Citizens During Elections Viewed

954F2089A Simferopol KRYMSKIYE IZVESTIYA in Russian 13 Apr 95 p 1

[Article by Nadir Bekirov, chief of the political-legal department of the Assembly of the Crimean Tatar people and deputy of the Supreme Council of Crimea: "What Must Be Done To Organize Additional Districts for Deportees"]

[FBIS Translated Text] *On 6 April 1995 the Supreme Council of Ukraine adopted a law according to which additional districts may be created for deported citizens when electing deputies and representatives of local councils in the Autonomous Republic of Crimea.*

Since there are a number of very important and disputed issues which must be correctly understood in order for the elections to take place, we asked Nadir Bekirov, leader of the political-legal department of the Assembly of the Crimean Tatar people and deputy of the Supreme Council of Crimea, to give us some brief explanations of them.

In compliance with the law of Ukraine "On the Peculiarities of the Participation of Citizens of Ukraine from Among Those Deported from Crimea in the Elections of Deputies to Local Councils in the Autonomous Republic of Crimea," for Crimean Tatars, Armenians, Bulgarians, Greeks, and Germans deported in 1941 and 1944 it is possible to create additional electoral districts in which nomination and voting will be conducted only by the deported individuals themselves, their ancestors, and members of their families.

But these districts will be created by the territorial election commissions only in the event that they receive a sufficient number of individual applications from these individuals, no less than are received by one general territorial (or, as it is called in the law, "basic") district for elections to the council of the corresponding level. Thus, for example, while in some places in the election of a deputy to the rural council 200 voters must participate, in order to create an additional district for deported individuals it is also necessary to have no less than 200 applicants of voters from among Crimean Tatars, Germans, Bulgarians, Greeks, and Armenians living on the territory of this council. If in a certain region this number (required for a mandate) is 3,000, then in order for an additional district to be created it is also necessary to have 3,000 applicants, and in order to create two districts—6,000, and so forth.

Every voter must submit at the very least two applications (one for the creation of a district for elections to the rural council or village council, and a second—for the creation of a district for elections to the rayon or city council). These applications do not necessarily have to be submitted to the rayon or city—they may be submitted to the local territorial commission or the executive committee which, in turn, will transfer them to their destination.

Additionally, it is important that the voter may not only submit this application personally but also entrust someone else to do this (an acquaintance, neighbor, family member, or member of the local assembly). But the standard blank application must be filled out by the individual himself.

In order to facilitate the procedure for collecting applications, at the present time standard blank forms for them have been printed and distributed to all the local, rayon, and city territorial commissions, so it is up to the voter to fill them out accurately and correctly. The necessary quantity of these forms may be obtained from the corresponding commissions. A sample is published in KRYMSKIYE IZVESTIYA and KRYM for 12 April. An application written not on a blank form but simply on a piece of paper but according to the indicated model is also valid.

There may be a question about what deportation information is. Let me emphasize that "submitting 'information about deportation'" **does not mean** only an indication in the text of the application of who the voter is. For example, Asan Asanov was deported from the village of Syuren on 18 May 1994. Or Rudolf Shnayder, the son of Rikhard Shnayder, was deported from the village of Nemetskiy Ablesh (now Prudy in Sovetskiy Rayon) in 1941. Or Olga Kerimova—the wife of Islyam Kerimov—was deported from the city Karasu Bazar (now Belogorsk) on 18 May 1994. And that is all. Nobody has the right to demand any special documents regarding this question and they must not do so.

The most difficult thing throughout all this procedure is to collect about 300,000 applications (approximately 150,000 voters times two) **before 21 April** (65 days before the elections). We have only a little more than a week. If the applications are not collected—additional districts for deported individuals will not be created. This actually means that there will not be representatives to the local councils either.

All members of local assemblies and activists of the National Movement must immediately get to work on obtaining blank forms, filling them out, and collecting applications from their compatriots and sending them to the lower-level territorial commissions. Time will absolutely not stand still.

For consultation and assistance, if necessary, one can apply to Dzhulvern Ablyamitov, a member of the work group for organizing the elections under the Supreme Council of Crimea. Telephone in Simferopol—27-62-03, and also the Assembly of the Crimean Tatar people; telephone in Simferopol—25-83-43.

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Economic Issues

*Moroz Comments on Financial-Industrial Groups

954F1962A Kiev KIYEVSKIYE VEDOMOSTI in Russian 24 Mar 95 p 3

[Article by M. Oleynyk: "Aleksandr Moroz: 'I Favor Creation of Financial-Industrial Groups'"

[FBIS Translated Text] In an interview with VEDOMOSTI, Aleksandr Moroz stated that "those who talk about the great harm to Ukraine caused by the position of the Supreme Council with regard to financial-industrial groups (FPG) are failing to grasp something that is quite elementary: I have favored the creation of FPGs for a very long time, even before becoming the head of Parliament." At the same time he stressed that in studying this question, the legislators proceeded from the fact that financial-industrial groups need to be created but that it must be done legally. Aleksandr Moroz indicated that it is necessary to note that Parliament discussed the presidential decree after expiration of the deadline by which a package of documents stipulated by this decree, bringing the decree into correspondence with the legislation, was to have been forwarded to the Supreme Council—prior to 27 February.

At a session of the presidium of the Supreme Council devoted to this problem, Aleksandr Moroz, according to him, had requested presidium members to devote appropriate attention to that question, taking into account the need to create the FPG. The head of Parliament stated that discussions at the session concerned legislative backup of financial-industrial groups, joint work in that direction by Parliament and the Cabinet of Ministers, etc. What is most important, the head of Parliament stressed, is not to allow use of FPGs for accelerating the outflow of capital from Ukraine or for laundering dirty money.

The Supreme Council, Aleksandr Moroz continued, vetoed the presidential edict dealing with financial-industrial groups in accordance with paragraph 21, Article 97 of the Constitution because it contradicts an entire series of provisions of enforceable laws of Ukraine on entrepreneurship, banks, banking activity, taxation, the Land Code, etc. Parliament also proposed that the president bring the given edict into accord with existing legislation and directed that the Commission on Questions of Economic Policy and National Economic Management and the Commission on Questions of Finances and Banking Activity along with the administration of the president and the Cabinet of Ministers prepare a draft law on financial-industrial groups within a two-week period.

Those who trumpet the harm which is allegedly being done by Parliament forget the fact that actions taken in accordance with the presidential edict but contrary to legislation are dealing a blow to the subjects of economic activity.

Vladimir Ryzhkov, presidential assistant for industrial affairs, however, believes that it is possible to talk not about violations of legislation but about its "ambiguous interpretation."

Legislation may be interpreted only by the Supreme Council. Presidential assistants—people hired by the president to perform specific duties—do not have such a right.

One more thing. I already received around 20 vetoes of our draft laws from the president. The reaction was what it should have been: the Supreme Council, collaborating with the president, perceives the veto mechanism as something that is natural on both sides and does not view it as something sensational. This is normal work.

By the way. Observers of the Spyvdruzhnist Charitable Trust believe that the Ukrainian power olympics is approaching its culmination. Both the president and chairman of the Supreme Council have become prisoners of their entourage. Experts of the Spyvdruzhnist Trust see the way out of the crisis as the elimination of corporate interests by both sides in the name of those of the entire state as well as the elimination of certain figures from the political scene. In particular they do not preclude that the president will be sacrificing his assistant, V. Ryzhkov, and also some of the "young guards" who "did him a clear disservice with his unfinished edict on the FPGs," while the head of Parliament will have to get rid of the odious figure of A. Tkachenko.

This proposal does not appear groundless because in the same interview with VEDOMOSTI Aleksandr Moroz stated: "No major disagreements ever occur between me and the president. He understands everything. It is just that people who have gained access to the corridors of power decided that they are at the helm..

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Armenia

*Liparityan on Karabakh Talks, Ties with Turkey

954K0565A Yerevan AZG in Armenian 17 Mar 95 p 4

[Interview with Zhirayr Liparityan, chief advisor to President Levon Ter Petrosyan, by Interfax correspondent Tigran Hovhannisyan; date and place not specified]

[FBIS Translated Text] The recent visit by a senior U. S. official, the escalation by Azerbaijan of military operations on the Armenian-Azeri border and the OSCE-sponsored meeting planned in Stockholm in connection with the peaceful settlement of the Karabakh conflict were the principal motivations to conduct an interview with Zhirayr Liparityan, the president's chief advisor and special plenipotentiary envoy.

[Hovhannisyan] Mr Liparityan what is your appraisal of the results of the talks held with Joe Pressel, the U.S. delegate to the Minsk Group of the OSCE, in Yerevan last week in connection with the peaceful settlement of the Karabakh problem?

[Liparityan] Our understanding is that, in addition to participating in the peace talks, the United States is interested in the resolution of one question: The elimination of problems that have emerged on the eve of the OSCE-sponsored Stockholm meeting. On this the principal obstacle is evidently Baku. In other words it is Baku that has changed its position. The Budapest document, which was endorsed by the leaders of all member states of the OSCE, including the president of Azerbaijan, not only sanctions the principle of the creation of peacekeeping forces and consents to the continuation of steps to coordinate mediation efforts, but also defines the sides to the conflict. The document registers that Nagorno-Karabakh is a side to the conflict. That means that, first, Karabakh can become a full-fledged participant in the talks, and, second, the representative of the Azeri community of Nagorno-Karabakh is not equal to Karabakh's representative, because the latter represents a political entity (alas an unrecognized state), while the former represents only a community. Evidently, Nagorno-Karabakh remains a side to the conflict until its final status is clarified and has the right to participate in all negotiations as an equal party. The Budapest document implies all this. In Budapest the 12 May 1994 ceasefire agreement was used as a basis because that ceasefire accord was signed by the three sides involved in the conflict, including Nagorno-Karabakh. However, after Budapest, during the February 6 meeting in Moscow, Azerbaijan retreated from recognizing Nagorno-Karabakh as a side to the conflict which drove the negotiations into an impasse. Subsequently, the cochairmen of the Minsk Group, Messrs Lazinski and Eliason, were forced to send to all the parties letters which said in essence: There are three sides to the conflict, of which two, Armenia and Azerbaijan, are recognized states, while the status of the third side, Nagorno-Karabakh, remains to be determined; meanwhile, the Azeri community of Nagorno-Karabakh is an interested party. Thus we understand that Mr Pressel's basic mission was to persuade Baku to accept the Budapest document as a basis for future negotiations. In that sense the mission of the representative of the U.S. State Department was a failure because according to information we have received he could not persuade Baku. This creates difficulties on the eve of the Stockholm meeting.

[Hovhannisyan] In other words, can it be said that there has been a setback rather than progress in the process of finding a peaceful settlement of the problem?

[Liparityan] The resolution of a number of issues related to the coordination of different mediation efforts as well as the fact that the international community and the OSCE have begun to demonstrate a more realistic approach to the problem can be considered progress. The irrational hardening of the Azeri position puts mainly the Azeri negotiators in an embarrassing situation.

I do not think that we are deadlocked because there can be changes in approaches at any time. That is what the experience of the last three years suggests. During that interval, a deadlock situation seemed to have been created on several occasions, but somehow the negotiations continued.

[Hovhannisyan] How do you explain Azerbaijan's posture? Are they trying to solve immediate problems or were they directed to take this position by the powers who back them?

[Liparityan] No, I think that Azerbaijan has taken this tactical approach to force the Armenian side to concentrate on the resolution of the status of the Nagorno-Karabakh Republic. This is confirmed by various proposals we have received from them. However, in our opinion this problem cannot resolved so quickly. On this our position remains unchanged: This issue must resolved in the final stage. We doubt that any results can be achieved by negotiating over status at this stage because it is hard to imagine that the present extreme viewpoints on this issue can be reconciled at this time. However, there are issues that can be resolved today and thus transform the ceasefire into a permanent peace. That means the deployment of peacekeeping forces, the withdrawal of armed units from the occupied territories and the lifting of blockades. This would create normal and peaceful conditions and provide better opportunities than what we have now to resolve the question of status.

For unknown reasons, Azerbaijan believes that it would lose much by recognizing Nagorno-Karabakh as a side to the conflict. But this has been recognized by the entire world, Azerbaijan must not use it as a "trump card." In other words, Azerbaijan will not receive anything for this step, and only the negotiations will continue. I think that the recent escalation of military operations by Azeri

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military forces on the Armenian-Azeri border is a consequence of the said hardening of the Azeri position. It should be noted that this escalation has occurred not on the Karabakh fronts but on Armenia's borders. By that move Azerbaijan wants to demonstrate to the world that they are in a confrontation with Armenia and not with Karabakh. Azerbaijan wants to reinforce its diplomatic gambit by creating a confrontation on the Armenian-Azeri border. There are no serious reasons for escalation because at present the Azeris cannot pin any hopes on military success. Even starting large-scale military operations is dangerous for them. At present Azerbaijan is in a grave diplomatic situation: It has taken a stand which is unacceptable and which is contrary to the position of the international community.

[Hovhannisyan] Has the issue of deployment of international peacekeeping forces in the conflict zone been discussed with Mr Pressel?

[Liparityan] Not really, because according to the Budapest document that issue must be studied in the regular deliberations of the supreme planning group of the OSCE in Vienna. Various countries are trying to solve this complex issue together. There are questions of mandates, command, makeup and terms of deployment of the forces and so forth. As before, Armenia favors first the deployment of international peacekeeping forces in the conflict zone and then the withdrawal of Karabakh forces from the occupied territories. That is because with those withdrawals Karabakh will lose important strategic positions, and in return peacekeeping forces must be deployed so that there is a physical disengagement from Azerbaijan.

[Hovhannisyan] In your opinion how well are the peacemaking efforts of Russia and the OSCE coordinated?

[Liparityan] That process appears to be proceeding very well. This is the second month that Russia and Sweden have been working together to fulfill the responsibilities of the cochairmen of the OSCE Minsk Group. But there is a small problem on this issue. Soon Finland will replace Sweden, and that change may slow down the peace talks, although Finland has been participating in all the talks so that it knows about all the developments. I am confident that Finland takes its upcoming mission with utmost seriousness.

[Hovhannisyan] Has the position of Turkey changed with regard to the Karabakh conflict, given the revitalization that has been observed in Armenian-Turkish relations recently?

[Liparityan] [Turkey's position] appears to have changed to some extent. Exactly 2 years ago Turkey was very sternly forcing Azerbaijan to act in accordance with its instructions. Since then it has demonstrated a more realistic approach. Although publicly Turkey speaks out in favor of Azerbaijan, Baku's unreasonable and rigid posturing has changed Ankara's position somewhat. Judging from private conversations and public statements, there are small differences between the Turkish and the Azeri sides. At present, for example, Turkey is prepared to recognize Karabakh as a full-fledged party to the conflict and to endorse the approach of the Armenian side to the problem. However, it is somewhat intimidated by Azerbaijan and does not want to state this publicly.

Indisputably there are changes, and in that sense Turkey is less imposing on Azerbaijan to take a certain position.

[Hovhannisyan] You visited Turkey recently. Is that country willing to open its routes to Armenia for the transportation of humanitarian aid?

[Liparityan] During my visit the Turkish side expressed readiness to open air corridors to Armenia without any preconditions. As for land routes, it will open them only if Armenia takes certain steps. They link the establishment of diplomatic relations with Armenia to the withdrawal of Karabakh armed forces from the occupied territories. However, it is difficult for Turkey to make any radical moves on Armenian-Turkish relations because a coalition government is in office in Ankara, and the internal political situation is highly fluid as a result of the merger of the two leftist parties. In any event, internal political stability is necessary in Turkey in order for that country to make such a decision. In general, though, Turkey is somewhat more positively disposed toward Armenia.

[Hovhannisyan] In your opinion what is the reason for this change of position?

[Liparityan] Today Turkey has serious external and internal problems to solve. First, it is expected to expand its relations with other countries. Second, it is viewed by the international community as a country that does not meet international standards. However, Turkey also has broader interests, such as the issue of oil. If their ties become more realistic [as published], relations with Armenia become extremely important, especially since Turkey is convinced that its policy is wrong. Its harsh policy with regard to Armenia and its blockade of transportation routes have not yielded substantive results or influenced Armenia's stance. In this sense, Turkey's policy has not only been fruitless but harmful.

[Hovhannisyan] How probable is it that an oil pipeline will pass through Armenian territory?

[Liparityan] We have not received any official word from either the consortium or any government on that subject. Newspapers have written much about that issue, but that is all there is.

[Hovhannisyan] Let us return to the subject of Karabakh. In your view, have the necessary prerequisites been created to recognize Nagorno-Karabakh as an independent state?

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[Liparityan] If the recognition of Karabakh as a side to the conflict (in both the military and the political sense) can be considered a prerequisite, then yes. But is that sufficient to recognize it as a state? I am not so certain about that. I do not see such sentiments in the world today.

[Hovhannisyan] What issues does Armenia plan to raise at the Stockholm meeting to be held under the aegis of OSCE circles?

[Liparityan] If Azerbaijan renounces its current position and recognizes Nagorno-Karabakh as a side to the conflict, then the principal issue we will raise in Stockholm will be the ceasefire and its transformation into permanent peace. We do not intend to talk about the recognition of Nagorno-Karabakh as a side to the conflict at that meeting.

[Hovhannisyan] Does that mean that if Azerbaijan refuses to recognize Karabakh as a side to the conflict, the Stockholm meeting will fail?

[Liparityan] Undoubtedly. Otherwise, how and with what status can Nagorno-Karabakh participate in the talks? I repeat: The Budapest document which has been endorsed by the OSCE and the chairmanship of the Minsk Group must serve as the basis for the negotiations. At the same time it can be said this is not Karabakh's problem. This is the problem of the OSCE's Minsk Group and Baku.

[Hovhannisyan] How do you view the problem of the consolidation of the ceasefire?

[Liparityan] If you recall, the ceasefire agreement was signed on 12 May 1994 with Russian mediation. It was consolidated in July and finalized in August 1994. According to the agreement the ceasefire remains in effect until the signing of a new agreement. Thus at present the ceasefire is in force for an indefinite period. All sides, Armenia, Azerbaijan and Karabakh, have signed the agreement. However, that does not mean that the ceasefire is secure because it is very fragile. It is also occasionally violated. This is what worries us. We hoped that OSCE observers or representatives would be involved as the ceasefire became more permanent, but that did not happen. Now, unfortunately, each violation incident leads to mutual accusations. It can be said that at present an unhealthy atmosphere has been created.

[Hovhannisyan] Is it possible that military operations may resume soon?

[Liparityan] The Armenian side has no reason to resort to such a step. As for the Azeris, such a step would be irrational from their standpoint. Although there are movements and regroupings of Azeri military units, there is no preparation for large-scale war at this time.

*Badapyan Views Current Status of Armenian Communist Party

954F2038A Moscow VREMYA in Russian 5 Apr 95 pp 1-2

[Interview with Sergey Badapyan, first secretary of the Communist Party of Armenia Central Committee, by Artem Yerkanyan; place and date not given: "Demirchyan Will Return to Big Politics...."]

[FBIS Translated Text]

[Yerkanyan] The journalist Aram Abramyan declared not that long ago in an interview with our paper that if the Communists come to power, they "will start to take the land away from the peasants and drive them onto the kolkhozes and evict people from privatized apartments and pack them into communal apartments." Your opinion of this gloomy forecast.

[Badapyan] I did not expect that so serious a person could have authored so unserious a forecast. I find it hard to believe that Aram Abramyan has sunk to the level of American hacks of the 1920's, who would use the thought of the Communists to intimidate unruly children.

[Yerkanyan] But you yourself declared in an interview with the NOYAN TAPAN Agency that, in the event of the Communists coming to power, all legislative acts on the privatization of the land would be abolished.

[Badapyan] Unfortunately, the agency correspondent distorted my thought somewhat. Taken out of context, it acquires a different meaning. I was speaking about the deficiency of the model of privatization Gaydar-style, Bagratyan-style—a crime. Yes, I declare that such privatization will, in the event of the Communists coming to power, be stopped. But this does not mean that we are opposed to denationalization generally. Legislative acts on privatization will be revised with regard to the interests of all citizens, not some groups of persons.

[Yerkanyan] Is not privatization contrary to the Communists' ideology? After all, the Communists have rejected the idea of private ownership.

[Badapyan] The Communist Party of Armenia is a supporter of a combination of all forms of ownership. We recognize the positive aspects of market economics, but consider that market economics can and should be socially focused also. A multi-structure economy with the priority of public ownership—this is what we are talking about.

[Yerkanyan] And what about the class struggle, the dictatorship of the proletariat?... Can the Communists be ready to contribute to the creation of the class of the bourgeoisie?

[Badapyan] A comprador bourgeoisie, multiplying capital of dubious origin thanks to the exportation outside of the homeland of our common property, is growing

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rich and developing today. The attitude of the Communist Party toward these nouveaux riches is unequivocal. As far as a real bourgeoisie is concerned, which could be a guarantor of the well-being of the people, it does not exist in Armenia as yet. The sooner it is formed, the sooner our country will be able to stand firmly on its feet. We have no doubt about this.

[Yerkanyan] If you have really renounced Bolshevik tenets, why have you not changed the name of the party, thereby ridding yourself of the stigma and the ideological cliche?

[Badapyan] The Communist Party of Armenia was the sole Communist Party in the countries of the former Union that did not suspend its activity for a single day. Despite the fact that the party leadership shamefully fled at the critical moment, like rats from a sinking ship.... The question of a change of name has cropped up repeatedly. It arose with particular poignancy at the 29th congress following the defeat of the Communist Party of Armenia at the elections. Supporters of a renunciation of the past remained in a clear minority. Sixteen persons, who staged a walkout, attempted to form their own organization. But nothing came of Akop Akopyan's group. The Party of National and Social Justice, which they created, did not, as we know, come to fruition. Nor was the attempt to settle scores with the party from within after the August putsch, when new leaders who had come to be part of the leadership of the Communist Party of Armenia attempted to impose the idea of the need for self-liquidation, crowned with success. The Communists once again rejected the insidious plans of the former first secretary. The Democratic Party formed by the "liquidators" appears today as an all-too etiolated shade on the political palette....

Time has shown that we were not wrong to counterpose to the sentiments that had arisen the resolve to fight for the party's integrity. We recognize that the history of our party is tragic. It has had everything: rises and falls, victories and defeats, glory and shame. And we do not have the right to renounce this. It would be simply immoral to change our skin and, having adapted to today's life, to secure for ourselves a comfortable existence.

[Yerkanyan] It is no secret that the ordinary person is attracted to the Communist Party by recollections of a satisfied past....

[Badapyan] What is wrong with this? For we did, indeed, have everything: "Kochari" on the ruins of the Reichstag, a revived culture and production, and, of course, a satisfied life.

[Yerkanyan] Many people consider reminders of the 30 kopek loaf and the 3 ruble sausage populism of the first water.

[Badapyan] Populism means cheap promises. We, however, are promising the people nothing other than social and national protection. I am inclined to consider populism precisely what our political opponents are not managing to avoid.... Not that long ago I was in Yekhegnadzor, in the village of Shati. I was told there that it had been visited not long before the elections by Levon Ter-Petrosyan, who had received their blessing. The peasants remember his impassioned speeches about the fact that 16 kopeks for Astra cigarettes was too much. They should be free, he said. It is this that is populism....

[Yerkanyan] Certain political scientists maintain that had the Communist Party not been treated so harshly in 1990-1991, it would have reorganized, having noticeably "rectified" itself here. Its enormous potential could thus have been preserved and utilized in constitutional development. Other political scientists (and former Prime Minister V. Manukyan agrees with them) maintain the opposite—the democratic forces took power too early, not having allowed the Communists to conclusively discredit themselves....

[Badapyan] I am amazed at the naivete of our homespun theoreticians. It is, after all, perfectly obvious that the republic was chosen as a field for experimentation, as a laboratory for the perfection of the mechanisms with which the Union was later destroyed. The Communist Party was knocked off its pedestal not thanks to the "consistency" of our political opponents, on account of our lack of principle even less. What happened was what could not have failed to have happened. The accusations of those who maintain that we ceded power too easily are misplaced also. There were forces that incited us into offering resistance. But we declared unequivocally that power is not worth the blood of even one Armenian. We left, not doubting that we would return. This is inevitable, for such is the trend of development of the historical process. And it is pointless to attempt to bar the way to it.

[Yerkanyan] There are several currents within the communist movement in Armenia. There was also a time when there was talk of the possibility of a split in the Communist Party.

[Badapyan] There are no currents in the Communist Party of Armenia. Talk about the possibility of a split is without foundation. Yes, there was a handful of people, guided by personal ambition, who, speculating on cheap slogans, attempted to declare themselves an opposition force within the party. How this ended is well known. Having been rebuffed at the 30th Congress, the "factionalists" recognized the pointlessness of their hankerings and dissolved, virtually.

[Yerkanyan] It is said that the has-beens have begun to return to the party today....

[Badapyan] There are altogether few former party functionaries in the leadership of the Communist Party of Armenia. The Communist Party has been purged of the scum that besmirched its name. There is, truly, today a danger of the introduction of "unhealthy" forces, of

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which we have only just managed to rid ourselves. The more apparent our successes and the closer the day of the parliamentary elections, what is more, the greater becomes the stream of the nomenklatura types returning to the party. The crowd carrying upon it the filth of Central Committee corridors has pricked up its ears. But I have to disappoint it. There is nothing for them. Their time has gone. I believe that the party masses will help me confront the onslaught of the has-beens in the process of formation of the lists of deputies.

[Yerkanyan] How realistic, in your opinion, is the return to big politics of Karen Demirchyan? It is no secret that the success of the Communists at the elections will largely depend on his decision.

[Badapyan] I understand Karen Seropovich's restraint. A person who was for many years the head of the state and who has been out of work for three whole years, has, finally, found an opportunity to quietly indulge his favorite occupation. But I am sure that the consciousness that he could do something for his people will compel his return to big politics.

Karen Demirchyan is not today on the party register, of course. But this is beside the point. Responding to a journalist's question as to whether he is a Communist, Karen Seropovich replied: "Can a person who was first secretary of the Central Committee for a whole 14 years not be a Communist?..."

*Official Reviews Foreign Investment Progress

954F2099A Yerevan RESPUBLIKA ARMENIYA in Russian 14 Apr 95 p 2

[Interview with Aram Tarakhchyan, chief of the foreign investment department of the Ministry of Economics of the Republic of Armenia, by Ashot Aramyan, under the "First Generation Investments" heading: "Incubators for Capital, or Who Is Hiding Aveluk's 'Curls'"]

[FBIS Translated Text]

[Aramyan] Mr. Tarakhchyan, a year has passed since our last meeting. How would you evaluate it in the plane of investments for our republic?

[Tarakhchyan] Extremely significant. Armenia has won the confidence of influential international financial institutions. And this, in turn, means that the republic has the main thing—stability—and the political fluctuations occur within the limits of permissible norms. This is the factor without which no skillful negotiations will produce any result. Thus, we see the international financial response to our needs. And without this atmosphere, private capital will not invest in any state—but that is our next extremely important task.

[Aramyan] You undoubtedly have in mind preferential long-term credits from the IMF, the World Bank, and other international donors.

[Tarakhchyan] Yes. But they, figuratively speaking, are large canals, which cannot be used to irrigate the entire earth. This would require building thousands and tens of thousands of branches—and this is our task today. But the main thing, I repeat, has been done: As it were, the water has been released....

[Aramyan] What is keeping us—to use your metaphor—from starting to irrigate numerous individual small sections of our land?

[Tarakhchyan] Our entrepreneurs must mature for serious long-term cooperation and long-term entrepreneurial activity with foreign partners. So far, our business class is not mature enough: It is accustomed only to drawing more and more money from the foreign partner. And the latter is becoming cautious, not allowing himself to get drawn too deeply into the "game," that is, business, and he wants dividends from his former investments. For it is clear that whoever gives you his money is wiser than you because, unlike you, he has already earned it.

[Aramyan] I recall that frequently people used to blame the lack of a law on protection of foreign investments. Now we have adopted one....

[Tarakhchyan] Yes, indeed, the legislative field for foreign investments today, for better or worse, exists. It is another matter that the range of approaches to this law on the territory of the former USSR is extremely wide. It is as if the former Soviet republics, acting as potential rivals today, are competing—who will give the foreign investor greater tax and other benefits and allowances. But for a serious investor, these are not at all the important things—they do not need allowances. They attach much more significance to the stability of the conditions for entrepreneurial activity. "Give us equal conditions with local entrepreneurs, but they must be stable"—they say. Therefore, the differences and excessive allowances in the laws on protection of foreign investments adopted on the territory of the former empire are more of an obstacle, a barrier, than an incentive for foreign investors. They are imposed by laws of the first generation. I recently visited Istanbul, where, within the framework of the OECD (Organization of Economic Cooperation and Development), a standard law is being developed for CIS countries concerning the protection of foreign investments, which, of course, will be of the nature of a recommendation. And the problem for each republic will be, on the basis of these recommendations, to create its own, improved law. I think we will have such "guidelines" by the end of the year.

[Aramyan] Apparently, the process of privatization and the creation of joint-stock companies out of enterprises which is now under way in the republic will give us new nuances on the plane of investments.

[Tarakhchyan] Of course. Soon our, as it were, "platoon" of property-owning entrepreneurs will become an entire "division." Tomorrow the director of the former state

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plant will wake up with an immense burden of responsibility: Will he have an idea of how to fit his enterprise into the new conditions and who his partners should be? This problem is especially crucial for small and medium-sized enterprises. Up to this point, when it came to any issue, for instance, delaying the payment of wages, the economic entities applied pressure to the state. This will not do any good in the future. It is time for us to change over to programmed development of medium-sized and small business, that is, build the "streams" of investments into each specific oblast and find effective mechanisms for drawing the immense army of new property owners into entrepreneurial activity—otherwise, global social problems could arise.

[Aramyan] As I recall, the last time you noted as one of the promising areas for the attraction of foreign investments the use of Armenia's significant scientific and technical potential. What can you say about this today?

[Tarakhchyan] Commercialization of scientific and technical developments and Armenian scientific and technical thought are a very effective area for attracting foreign investments. And a specific form of this was discovered long ago: So-called business incubators have become widespread throughout the world. They are usually created in the neighborhoods—both geographically and intellectually—of universities, technological parks, and scientific centers. For example, Yerevan today has several fully developed technological parks. Their prototypes are groups of scientific research institutions specializing in biotechnology, instrument building, chemistry, etc. And on the basis of these technological parks, it would have been possible to create several business incubators.

[Aramyan] It is all still very confusing. What specifically will be grown in these "incubators"?

[Tarakhchyan] Entrepreneurial cadres and specific business projects. It is all very simple: There is a ready-made infrastructure where the entrepreneur may, based on his own developments and the developments of scientific institutions, develop technology and begin production—and under hothouse, "incubator" conditions. They usually spend a year or two in the business incubators, they are tested, and the market is tested. The described mechanism reduces the investment risk and stimulates the importation of technologies.

[Aramyan] And what will happen to this idea?

[Tarakhchyan] We have developed in detail a concept and a plan for business incubators under Armenia's conditions. They have already been submitted to various international organizations. I repeat again: The entire idea of such innovation centers consists in combining, joining into one, the proposed technologies and the entrepreneurial demand for them. The structures that are created provide for embodiment of business ideas in concrete business plans and investment projects. In particular, business incubators will help beginning businesses for which, as a rule, there is no credit market. At the same time, it is also necessary to create a Fund for Technological Development of Small Business. Combining these three key subdivisions—specialized incubators, the innovation center, and the fund—into one organization (incidentally, it could be in the form of a public joint-stock company), we are suggesting that we create five business incubators in the republic.

[Aramyan] There is no doubt that they will contribute to the development of small business in our country. But there are many problems with it....

[Tarakhchyan] I have already mentioned the first of them: The lack of sufficient entrepreneurial experience and maturity. This problem, incidentally, cannot be solved by technical program seminars and various kinds of training along.

The second problem is the need to get our cumbersome scientific and technical system moving. It is having difficulty recognizing the need to switch from "great socialist projects" to the simple and comprehensible market mechanism of supply and demand. In a word, whatever you can do in the market is what you will engage in. The incubation could be simple adaptation to already existing market conditions. Specific examples? Sure. A group of scientists has now created electronic board games which, I am convinced, will win their market, including outside the republic, since they combine interesting content of the game itself with a computer form. I repeat that now is not the time for us to go for anything complicated—it is more important to gain a market and have our own place under the sun. Today I have more use for the person who creates and arranges production of packaging for, say, aveluk [translation unknown] than a person who sits around crying because he has nothing worthwhile to do.

*Ramkavar-Azatakan Party Leader on Upcoming Elections

Yerevan RESPUBLIKA ARMENIYA in Russian 13 Apr 95 p 2

[Interview with Ruben Mirzakhanyan, leader of the Ramkavar-Azatakan Party of Armenia, by Ashot Mkhitaryan; place and date not given: "'We Are Heading Into the Elections by Ourselves as Yet'"]

[FBIS Translated Text] What sort of new parliament will we have? What will the road toward it be like? What is the apportionment of political forces today? Are surprises forecast? Questions, questions, questions.... This is not surprising—an election struggle is interesting in itself. Although what is most important, of course, is the result. The situation in which the first years of the formation of our republic passed, years when much was determined by the activity of the first parliament, was all too unusual. Little or much, there is already experience, there is already professionalism, there is already a more specific

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recognition of what the country's supreme legislative body should be like. But theory and practice do not always go hand in hand, particularly in politics.

We began the discussion in issue 65 of 11 April 1995 with an interview with Grant Khachatryan, chairman of the Constitutional Law Union.

Today, in the second item in this series, the questions of our correspondent Ashot Mkhitaryan are answered by Ruben Mirzakhanyan, leader of the PRA [Ramkavar-Azatakan Party] of Armenia.

[Mkhitaryan] In what year was your party founded, how many members does it have, are there branches in the districts and overseas?

[Mirzakhanyan] The Ramkavar-Azatakan Party of Armenia was founded in 1991. But, as we all know, the sources of our organization go back to 1885 to the Armenakan organization, which was the first political party in the contemporary history of Armenia. For many decades the Ramkavar-Azatakan Party operated in the diaspora. The reason for this were the political and legal relationships in which Armenia found itself. Following the well-known changes in social and political life, the activity of the party in the homeland became possible, which explains 1991—the year of the founding of the Ramkavar-Azatakan-Armenia Party. The Ramkavar-Azatakan Party, which continues to operate in the diaspora, and the Ramkavar-Azatakan Armenia are structurally and organizationally independent organizations. We have no political organs of administration in common. The highest body of the party operating in the diaspora is the congress, the highest body of our party is our congress. Nonetheless, there is the most direct connection between our organizations. We are exponents of the same ideology and the same traditions and, on this basis, we find forms of mutual communication on the most important questions of Armenia's domestic and foreign policy and the national activity of the party under diaspora conditions. As far as subdivisions and structural formations of the party within Armenia are concerned, we take as the basis the territorial principle, in accordance with the law of the Republic of Armenia "On Parties and Political Organizations." We have 50 subdivisions. In accordance with the rules of our party, they are called clubs. Aside from Yerevan, Gyumri, and Vanadzor, our clubs operate in Ashtarak, Artashat, Yekhegnadzor, Goris, and so forth.

[Mkhitaryan] What are the party's main political and ideological principles?

[Mirzakhanyan] The liberal democratic newspaper AZG and the journal PAYKAR, whose first issue appeared recently, are published under our sponsorship. We express our principles in these publications. I do not wish to brag but the AZG newspaper has already won the people's trust by its objectivity and high professionalism.

[Mkhitaryan] What do you agree with and what do you not agree with in the Election Act?

[Mirzakhanyan] I have objections to the clause on a professional parliament—this is a step backward compared with the decision that was adopted several weeks ago by the same parliament—I mean when the law was being discussed and a clause to the effect that there should be 160 delegates and that they should all be professionals was given its first reading. The latter interpretation, however, mentions quite a small group of persons who are not entitled to be deputies—servicemen, police officers, judges, and members of the government. And as the actual political situation shows, one of these clauses—I refer to ministers—is easily circumvented, this person or the other is simply appointed an acting minister, and he thereby preserves his deputy's authority. Members of parliament should be involved only in parliamentary activity—this is very difficult and serious work. Settling the question of a quorum would be easier in this case also.

Concerning the percentage correlations of the party and majority-system lists, the most logical correlation is 50:50. Otherwise members of parliament, if we count purely arithmetically, would not be equally competent since a vote is cast for them by a dissimilar number of voters.

[Mkhitaryan] What will the elections be like, in your opinion: heavily policed or objective?

[Mirzakhanyan] The elections themselves will show. But there are fears that they will become heavily policed inasmuch, to our great regret, the state's power structures have begun to assume a clearly expressed political nature in recent years.

[Mkhitaryan] Will the ruling party maintain its majority, in your opinion?

[Mirzakhanyan] This will depend on what the precise answer to the previous question is. Its rating is today low, in any event—for which there are objective and subjective reasons. Objective—under the present conditions no one political organization, in power, would have a high rating, I refer to the economic circumstances, beyond the control of government actions, determined by the political situation connected with the Nagorno-Karabakh Republic—the blockade and everything ensuing from this. Subjective—there were quite serious errors in the initial period in foreign policy, subsequently they were rectified, and blunders in personnel policy and also what I call a vulgar interpretation of market relations. It is frequently thought that market relations do not presuppose an active social policy, and this is wrong.

[Mkhitaryan] How are you heading into the elections—in a bloc or independently?

[Mirzakhanyan] By ourselves as yet.

[Mkhitaryan] What blocs are being formed for the elections?

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[Mirzakhanyan] One bloc as yet—the Armenian Pannational Movement and organizations around it.

[Mkhitaryan] How, in your opinion, will the communists and the Dashnaks approach the elections?

[Mirzakhanyan] The activity of the ARFD [Dashnaktsutyun Armenian Revolutionary Front] has been suspended, but they will undoubtedly be there—not on party but majority-system lists. The suspension of the activity of this organization will, possibly, add to the votes for it since there are many people of an opposition frame of mind.

As far as the communists are concerned, they have played and continue to play on the nostalgic mood, particularly among elderly people, who are sure to turn out and choose as their memory dictates.

Azerbaijan

*Origins of 'Freemasonry' Movement Highlighted

954K0550A Baku AZADLYG in Azeri 31 Jan, 18 Feb 95

[Interview with Ogtay Eldegez, chairman of the National Liberation Headquarters in the 1960s, by Mehriban Ebulfetqizi; place and date not given: "The Soviet KGB Was Unable To Learn the Secrets of Azerbaijan's Freemasonry in 20 Years: Part 2"]

[31 Jan p 8]

FBIS Translated Text]

Freemasonry in Azerbaijan

[Ebulfetqizi] Perhaps you could give us some information: what is freemasonry? What principles of struggle has Azerbaijan's freemasonry taken from the world Masonic movement?

[Eldegez] World Freemasonry is a movement especially active in Jewish communities and is the most widespread secret opposition organization in England and Italy. In Hebrew, the ancient language of the Jews, masonry means "stone mason." In about the year 783 in Northern Palestine—the territory now called Judaea by the Jews—the Jewish stonemason Adinholm Aron, who built beautiful buildings in the city of Nazareth, created a special community by using special expressions and trade jargon with his mason friends. Later such communities became especially widespread in Israel. Freemasonry gradually lost its trade significance and gradually began to interest successful businessmen. Their secret political organization took the form of a special organization that regulated finance, economics, and social relationships, kept relations between communities in good order, and concluded secret agreements internationally. These are called "Italian freemasonry," "Jewish freemasonry," and "English freemasonry." Among the English an exclusive freemason, or a more exclusive super freemasonry, was created under the name of "super-freemasonry."

As for purely Azeri Turkic freemasonry, it could in no way be practiced in that imperialistic, wildly communist place called the former USSR, especially in Northern Azerbaijan. For obvious reasons, we went toward exclusive freemasonry—the direction of secrecy and concealment. In addition, we started to prepare hosts of state organizations, responsible people, scientists, ministers, and others in the sector of national consciousness and independence. In brief, we selected a liberal and lighter form of masonry. We put sabotage, anger, destructiveness, assassination, and other things aside because they would not serve our cause. It is a fact that freemasonry in Northern Azerbaijan spread out from the National Liberation Headquarters [NLH] and turned a new page in the history of our people's struggle. Future years showed this prominently...There was, in fact, so much work that it had to be divided piece by piece into months, seasons, and years. By doing careful research, we were able to find enthusiasts. In the higher schools and scientific research institutes, among common citizens and influential people, we found those who appreciated the importance of the great past, the zeal, and the future of the national revival of our people, mobilized them, and began to unite them toward a great goal. These are not empty words. In data and records we will bring out later on the activities of the NLH, we will put everything in perspective.

In the mid 1960s Azeri Turkic freemasonry spread out from the National Liberation Headquarters to every corner of Azerbaijan: to the mountain regions, to Sumgait, Mingechevir, and Gyrkhchyrag (now Elibayramly), and other residential areas. Within three to four years, everyone from leading workers to enthusiastic members of the rank and file in all leading organizations were ready to begin experimental activity. During this period of activity, NLH was able to implement 11 successful actions.

Azerbaijan's First Oil Minister Was a Member of NLH

[Ebulfetqizi] We are familiar with the Sumgait action. Perhaps you could mention another operation...

[Eldegez] At that time Azerbaijan did not have its own oil minister; there was only the USSR Ministry of Petroleum. NLH members began trying to establish a Ministry for Azerbaijan's Petroleum Industry. Soon a Ministry of the Petroleum Industry was established in Azerbaijan. Thanks to the efforts of Aghasadyg Rehimli, former chairman of the Council of Ministers; Kamran Guseynov, his deputy; Suleymanly, head of Azneft; Memmedpasha Guliyev, director of the Drilling Faculty of the Azerbaijan Institute of Industry (the older brother of Danil Guliyev); and the oil expert Gurban, Bekhtiyar Memmedrza oghlu Memmedov was appointed its chief in December of 1963. (Of the names mentioned, only the chairman Rehimli and the oil expert Gurban were not members of NLH.)

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His rule lasted from December 1963 to 10 January 1969. His first action was removing Vano Avenesov, head of Shirvanneft, from his position, and appointing Aliagha Guliyev, a member of NLH, in his place. Bekhtiyar Memmedov, by removing Armenian directors, engineers, and geologists and by regularly fulfilling other demands, was faithful to the NLH guidelines to the last day.

33 Years Ago the Armenian Energy Blockade Was Imposed

Our next action was to press Armenia for the repayment to Azerbaijan of four years of gasoline, petroleum, natural gas, and lubricants. On 1 September 1962 we decided to cut off the gas pipeline going to Armenia through the territory of Gazakh and Noyembrian Rayons and make Armenia pay its obligations. In connection with the second anniversary of the opening of this pipeline a meeting was held in Gazakh. We traveled to Gazakh to exploit this opportunity. On the first of the month a chance meeting had been organized and we learned the mentality of the local population. This became a kind of systematic effort. On 1 October we organized a community meeting; they read documents we had written and finally two girls closed off the gas pipeline. The militia and rayon officials did not know what to do. Khudu Memmedov; Mukhtar Guseynzade, linguistics professor from Azerbaijan State University; Vahid Gehramanov, famous legalist, dean of the law faculty, and NLH member; the young poet Seyavush Serkhanly; the poet Osman Saryvelli; and I took part in the meeting...The Central Committee was informed...Eight days later an article appeared in the newspaper KOMMUNIST saying that Armenia was ready to pay off its four-year old debt, so we opened up the gas pipeline for winter preparations. We learned from our friends at the Statistical Administration that the debt was, in fact, paid back.

[18 Feb p 8]

Why Was Abulfez Aliyev Released From Karadagh Prison?

[Ebulfetqizi] At a time when even telling the simple truth was dangerous, every action you took was relevant and valuable. Thus, the activity you prepared in connection with freeing Abulfez Aliyev from prison in 1975 caused broad reverberations. I would like you to provide our readers with some detailed information about this.

[Eldegez] The historian Abulfez Aliyev established the Yurd society which he led at the university in 1971. Five years later Ojak was established by our prominent philosopher Asif Efendiyev, and then later there was Mehemmed Hatemi's Chenlibel society. While these were spiritually allied with NLH, they were unable to match NLH from the standpoint of their objectives and potential for struggle. Their activity did not go beyond talks and discussions in limited circles. Despite this, these societies were seen as progressive groups which awakened the people, especially the intellectuals.

Word about the Yurd society quickly reached the KGB, and Abulfez Aliyev was put on trial in the spring of 1974. He was sentenced to five years. Abulfez was essentially a political prisoner, and spreading this around was not profitable for the republic's leadership. Thus, he was sent to the Karadagh prison. NLH began working toward his release. We succeeded in getting him transferred from carrying heavy whetstones for saws at the Karadagh corrective labor camp to a cell by paying a bribe. We started to collect signatures asking for his release. Within six months we had collected 249,556 signatures showing personal name, family name, father's name, place of work, and home address from every region in the country. Then we had to send the signatures to the right address. Although it was dangerous, we decided to send them to Olevtina Syomina, an aide to the Central Committee of the Azerbaijan Communist Party, despite the risk. Gifts that were sent appeared at her workplace. Next, two files containing names were handed over to Olevtina through Captain S.T., director of economy for the Central Committee. During the lunch break on 28 October, she placed the files by Geydar Aliyev's door. Finally, we were able to breathe freely; on 12 November 1975, Abulfez Aliyev was released from prison.

I repeat, at that time it was advantageous for us to undertake these actions for Azerbaijan to move to the fore among the union republics. The issue was that in the former Soviet Union Geydar Aliyev, who had gained fame and a reputation as a first secretary, did not want to lose this acclaim because of the political prisoner Aliyev [end of sentence illegible].

During its activity, NLH was successful in connection with abolishing long prison sentences for petty theft (up to 1,000 rubles), meetings with prisoners in corrective labor camps, dropping the delays in prisoners receiving letters and monetary gifts from six months to one month, limiting the transport of prisoners from local prisons to the taiga and the tundra, etc.

Other than the actions mentioned above, NLH worked successfully to secure 400 appointments to responsible positions, including four ministers.

Those Who Did Not Take Greetings...Took Bribes

[Ebulfetqizi] It is obvious that one may not believe it. How were you able to have the person you wanted appointed to a responsible position?

[Eldegez] We accomplished this either through like-minded friends, NLH members who were already in position, or by other means like giving bribes. We are not ashamed of this because one of the bad things spread by the Bolsheviks throughout all of society was bribery. This was often the only way to get something done. Our financial possibilities were not bad. Every month we collected a subsidy from various channels, from high

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officials, from wealthy people, and from those willing to make a sacrifice for our work. In the course of a month this would amount to 12-15,000 rubles. Dividing the money would take place in a four room apartment in the building next to what is now the editorial offices of AYDYNLYG. On the 30th of every month I, as chairman, would divide the money according to our objectives. Couriers would take envelopes containing a paper on which my personal code was written—OMKh/7-3—as well as food and travel money for the couriers to various addresses in the republic. The person receiving the code would carry out the action he was assigned.

[Ebulfetqizi] ...and these actions were always successful? This is hardly believable, at the very least because the sword of the KGB was cutting in both directions.

[Eldegez] You are right. But I am happy to say that neither the KGB nor any other state organs suspected such a large organization, a group that had done major work for the national awakening of our people as the northern Azerbaijani Freemasonry—in a word, NLH. Only once did we make a very stupid mistake. We sent the chairman of an ispolkom in the city of G. a 4,500 ruble bribe, and my personal code fell into their hands. The envelope to be given to the chairman was given to his deputy; when he opened the envelope, he informed the city's KGB. The courier was arrested and after a severe beating he told them from whom he had received the envelope. They could not crack the code, however. The KGB came quickly to Baku, and on the morning of 11 January 1976 they took me out of a school in Khile where I was teaching. Despite the torture, they were still unable to break the code or gain any other information, so they released me. In this affair, I cannot forget the help of Elkhan Kerimli, whose father worked at the KGB...

I ought to say that each member of NLH's nine-man council had his own code. I did not know how to break their codes, but I will tell you what my code—OMKh/7-3—meant. "O" was the first initial of my name, "M" was the first letter of the month in which I was born (March), and "Kh" was the first letter of the village where I was born. As for "7-3," I was born in 1934 and the "7" results from the manipulation of the "3" and "4"...

*Financial Crisis Paralyzes Oil, Gas Companies

954F2024A Baku VYSHKA in Russian 1 Apr 95 pp 1-2

[Article by Sayad Ibragimov, first vice president of the Azeri Republic Gosneftekompaniya: "Oil is the Priority for Azerbaijan: But the Oil Extracting Sector Itself Is at a Financial Impasse"]

[FBIS Translated Text] The question of wages has become a predominant and inexhaustible topic of discussion at Gosneftekompaniya [State Petroleum Company—GNK] oil and gas extracting enterprises. During meetings the oil and gas field workers tell economic leaders: "Guarantee us prompt payment of wages, and we will provide as much oil as the assignment requires."

The shortage of capital and the financial crisis are paralyzing the company's work from bottom to top. In order to pay wages, we are forced to borrow credit at Prominvestbank [Industrial Investment Bank]. At first glance this is a normal phenomenon, but here is the trouble: we must pay an exorbitant interest rate for it—210 percent. The practice is that when credit is borrowed, it must be repaid within 10 days. If you cannot, the sum of the credit is classified as overdue, and then the interest rate for paying it off doubles and you in fact have to pay 4 manats 20 gyapik for 1 manat.

These interest rates are becoming a real trap for enterprises. That is the reason that producers are afraid of them, cannot make up their minds, and again and again fall into servitude to financial structures. As of today, indebtedness on wages comes to more than 12 billion manats for February, and in March it will increase even more to 15 billion manats, although we are clearly aware that without prompt payment of wages, we will suffocate oil workers' labor enthusiasm, despite ourselves.

The oil industry, like other sectors, represents a single complex consisting of closely interrelated links—exploration, drilling, construction, extraction, and refining of oil and the sale of petroleum products. All of them are experiencing an acute shortage of working capital and finances. For that reason an extremely difficult situation has developed in the sector. It did not appear suddenly, but took shape over the course of several years because of the fact that the prompt resolution of financial and social problems was deterred by various objective and subjective causes.

Let us take the indicators for the last 5 years. During that time extraction of oil declined from 12.5 million tonnes to 9.6 million tonnes, and of gas from 9.9 billion cubic meters to 6.5 billion cubic meters.

Why is that the case and how can we prevent the level of extraction from falling?

That is the main question for oil workers. The natural drop in the output of oil is an unavoidable factor. It depends above all on how many years the deposit has been exploited. Most of them in our country have been worked for 100, 70, or 50 years. The youngest deposit is Gyuneshli, where the extraction of oil and gas began 15 years ago. Now more than 60 percent of the company's total extraction of oil is done there.

Consequently, the drop in extraction of oil and gas can be offset only by introducing and working new reservoirs and increasing the volumes of drilling and capital construction. It stands to reason that all this requires major capital investments and reliable material-technical support.

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How are the problems named above being resolved in the GNK system? Not adequately. Everything gets worse and worse from year to year, and that must certainly have a destructive effect on the state of development well drilling. From 1990 through 1994, the amount of drilling dropped from 393,000 meters to 162,000 meters. The number of wells put on line declined accordingly, from 212 to 99. During the first two months, the shortfall on scheduled drilling came to more than 35,000 meters of rock and only 9 instead of 15 wells were put into operation. And today half of the drilling brigades are idle.

The prognosis for oil extraction for the current year is 9.1 million tonnes; to do that 370,000 meters of rock are to be drilled and 173 wells are to be brought into operation. But if the 1994 level of extraction continues, at least 500,000 meters of rock will have to be processed.

Our mineral prospectors are capable of such a volume. But only under one condition—financing and an uninterrupted supply of material-technical resources. However, the company does not have the required capital.

I come to the following conclusion when I ponder why the oil industry is in such a difficult situation. It is for the most part the result of improperly planned laws and statutes and the market economy which appeared spontaneously. Prices for materials, equipment, and services rise uncontrollably; actually they are rapidly approaching world prices. But at the same time, wholesale prices for oil and gas were held in check, which inevitably meant higher prime cost for our output and that prime cost surpassing the wholesale price. All this could not fail to make the oil and gas extracting enterprises unprofitable.

I want to emphasize once again that our business partners, meaning the suppliers of materials, machine builders, and metallurgists, build business relations with us in accordance with market rules, arbitrarily, and set prices based on their own economic interests. But the oil workers had no such rule, although as state structures we were all subordinate to one and the same government. There are no statutes which regulate our economic interrelations, and that resulted in the crisis of the sector as a whole.

It is for that very reason that the State Oil Company, which is a budget-forming sector and earns hard currency for Azerbaijan, has found itself in a difficult situation. We have repeatedly appealed to the Ministry of Economics and the government insistently requesting that bank loans be paid off, certain taxes be abolished, and the prices for oil and gas be raised. But our questions were not being resolved or were being resolved very slowly until the president of the republic intervened in the company's difficult fate. By his edict he required the Cabinet of Ministers and the ministries of Economics and Finance with the participation of the GNK leadership to devote themselves to resolving the company's problems and consider raising prices for oil and gas taking inflation into account.

Only after that, beginning in the fourth quarter of 1994, did regular reappraisal of our output begin. Thus, during the first five months (October-February), the value of oil and gas rose three times and increased from 7,500 manats per tonne to 100,000 manats, while gas rose from 2,700 to 8,000 manats per 1,000 cubic meters.

However, it is perfectly clear that this measure alone, in isolation, will not resolve all the problems. The oil industry, like other sectors, is linked by a multitude of threads to the state's entire economy. In practice all enterprises, associations, and concerns themselves sell what they produce. World practice suggests that such a situation has also taken shape in oil companies and firms—they sell the final petroleum products themselves and bring them to the consumers. The sector operates highly efficiently only under that condition.

Only our GNK is deprived of this right. We extract the oil and it is refined at our plants, but Goskomtopliva [State Committee for Fuel Industry] sells the refined output. And the result? As of 23 March, it owed our company 419 billion manats, and of that it owed 173 billion to the oil extracting enterprises. That is the source of our troubles even after prices for oil and gas have been revised upward. The GNK's financial impasse arose because organizational and structural questions were unresolved for many years. This paradox took shape during the years of Soviet power and continues to arrest the normal development of Azerbaijan's leading sector—the oil industry, to this day.

And we are unable to do exploration and drilling, bring new wells into operation, and stabilize extraction. We also do not have the capital to settle up with the budget (we must transfer more than 180 billion manats, pay taxes, return the bank loan, acquire raw and processed materials, equipment, and instruments, recondition the motor vehicle and tractor fleet which is extremely worn out, pay wages promptly, and carry out measures for social protection of oil workers).

The GNK can get out of the present impasse only with the government's help, for resolving the questions raised by the GNK leadership is under its competence.

Inasmuch as Goskomtopliva will be unable to pay off the company's debts totaling 419 billion manats, and they are increasing every day, an interrepublic set-off should be conducted.

For the good of the common cause so that a complete cycle of production from the well to the gas pump can be created in the oil industry, the GNK is making the proposal to include Goskomtopliva as part of the company. Merging it with oil workers is morally and economically justified—the sector extracts the oil, refines it, and sells it. That is logical and fair!

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This structural refinement will make it possible to ensure the real receipt of capital which will above all be used for wages and then for all other production needs.

Life has brought us to the point where the GNK must have its own bank so that all the capital, regardless of the type of activity, is accumulated in it. The bank will be able to regulate the issuance of capital for wages to all enterprises under equal conditions, conduct interdepartmental set-offs, give credits, and handle other account settlements. The time for a document to circulate and monetary capital to go from the consumers to the suppliers will be substantially reduced. The extracting sector will have the capital to reinforce the material-technical base for increasing the volume of drilling, field construction, and development of the social base.

In the list of financial matters, we propose to free prices for oil and gas and bring the difference between the value of oil and petroleum products to sensible limits, as is done throughout the whole world.

In order to ease the company's financial burden somewhat, we must lower the value-added tax and the tax on profit.

It is also desirable for the government to review the question of reducing the number of taxes. There are about 20 of them now, and enterprises are exhausted from endlessly computing so many taxes.

I will also report that we intend to change the organizational structure within the company and within the organization in order to improve the manageability of the sector, associations, and enterprises, raise labor productivity, and lower production costs.

In conclusion, I want to say that despite the difficult situation which has taken shape, in the first 2 months of the year, the extracting sector exerted maximum effort and provided the oil and gas extraction volumes which the republic needs. As the state's leading sector, our collective will utilize all reserves and come out of the crisis. Here we also rely on the initiative of Binagadinskiy Rayon oil workers, who have pledged to fulfill the current year's program for extracting oil and gas ahead of schedule. Their initiative has been approved by the GNK Council of Directors. The decision adopted proposes that all oil and gas extracting enterprises support the Binagadinskiy Rayon workers' appeal and intensify work in all directions of field work.

*National Independence Party Official on Economic Reform

954K0551A Baku AZADLYG in Azeri 11 Feb 95 p 6

[Interview with Professor Nazim Imanov, deputy chairman of the National Independence Party, by Rafiq Memmedli; place and date not given: "Publicizing Our Program Is Not Appropriate"]

[FBIS Translated Text]

[Memmedli] What was the subject of your doctoral dissertation?

[Imanov] The subject of both my candidate and doctoral dissertations was devoted to the principles of administering an ecological economic system. I have been involved with the problems of economic reform over the last five years. In connection with this, I have been cooperating closely with a talented group of scholars and practitioners.

[Memmedli] Where were you working before you became deputy chairman of the party?

[Imanov] I was a junior scientific worker at the Economics Institute of the former State Planning Committee, a teacher at the former Institute of Economics, a lecturer and after my doctoral defense rector at the Higher Party School, and now rector at the Institute of Social Administration and Political Science.

[Memmedli] How would you evaluate the activity of the present government in the economic sector over the last year and eight months?

[Imanov] In general, negatively. During this period all macroeconomic indicators became sharply worse. The standard of living has been worsened severely, but this is not the basic issue. Another year and eight months have been lost in implementing economic reforms.

[Memmedli] Why do you say "another?"

[Imanov] Because despite the fact that the best chance for economic reform was in 1991, we have been losing time ever since. Now there is no need to prove how far behind we are to Russia or to other countries.

[Memmedli] What do you see as the basic reason for this?

[Imanov] There are a number of objective reasons impeding the implementation of reforms: the war, the refugees, and the political instability. Others point to the violation of relations between countries as a reason, but this is a pointless conversation. In brief, nothing really made the reforms impossible. The reforms have not been implemented simply because the present regime is not implementing them. The work done in this sector consists of Resul Guliyev (Resul Guliyev is the only one who understands the need for current reforms within the present government) making regular popular speeches on the need for economic reform.

[Memmedli] In your opinion, with its present composition, will the government create a turning point in the economy?

[Imanov] No. First, much of the leadership is anti-reform in its thinking. Second, no one in the current structure of the government has any importance. The present government structure provides no avenue for carrying out reforms.

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[Memmedli] In other words, just changing the personnel will not lead to changes?

[Imanov] There can be small changes, but there can be no talk of a move forward in principle. It is only natural that any final result will depend solely on the personnel.

[Memmedli] Your opinion on the "Economic accounting," which involved the Azerbaijan Peoples Front (APF) in 1992-1994 and was published in AZADLYG newspaper this year, was negative. What was the basis for your position?

[Imanov] This accounting could have been valuable from a number of points of view. The APF's theories on the situation preceding this administration and about this administration were realistic on a few points, but in my opinion, the value to attach to the period when the APF controlled the government is very uncertain.

[Memmedli] But there were concrete figures given in this accounting...

[Imanov] Ideas like "had we remained in government, we would have given production this much and welfare this much" are only conditional sentences. History does not like conditional sentences because they never were and never will be consummated. These can only stimulate academic interest. As an expert, however, I cannot seriously consider the prognoses given in the accounting, and I do not believe them.

[Memmedli] In your opinion, had the APF remained in government, would the economic situation have sunk this low?

[Imanov] It is impossible to say. Perhaps it would have been worse.

[Memmedli] [Words illegible] but the APF's prognoses were based on the principle of extrapolation, in other words, on the development of tendencies when it was in government. How can you deny these tendencies?

[Imanov] In general, extrapolating to arrive at prognoses in events and processes in sociology and economy is useless. In a number of cases, this leads to absurd results.

[Memmedli] The lack of programs of all remaining political forces, since Etibar Memmedov's [founder and chairman of Azerbaijan National Independence Party, AMIP] involvement with politics, is at fault. Does the AMIP have a program?

[Imanov] AMIP published its first program in the 16 October 1991 issue of MILLET newspaper. Over time, the philosophical foundations of its ideology have remained unchanged although it has continued to perfect its program. The name of its last variant is "A Collection of Urgent Measures for the Azerbaijan Republic's Complete Transition to Economic Independence and a Free Economy."

[Memmedli] Why has this program not been published?

[Imanov] The first experiment in publishing the program demonstrated that publishing a program before coming to government is not appropriate...

[Memmedli] And what views are contained within it?

[Imanov] The principle of the present structure of government must be changed...In the new structure, for example, there would be no Ministry of the Economy. We consider that without changing the structure, the government in Azerbaijan will not function. In the period of Frontist rule, new departments (the State Property Committee, etc.) were added, but this did not change the basic governmental structure and caused the unsuccessful progress of reforms.

[Memmedli] The financial situation of the National Independence Party is better than all the other parties and associations. Who guarantees your finances?

[Imanov] It is true that our financial situation is relatively better than the others, but this is not satisfactory for a normal state. We leased our building. For us, the payment for the building and worker maintenance is minor. The party's only financial source is the support of people working outside the state structures.

[Memmedli] Will you lose these people if the time it takes you to come into the government "is prolonged?"

[Imanov] As a rule, no. They believe that the party that can and will create a free market economy is the AMIP. This corresponds with their interests.

[Memmedli] If it is no secret, what is your present salary?

[Imanov] Close to 100,000 manat.

[Memmedli] Who is financing the frequent trips of party representatives abroad?

[Imanov] As a rule, whoever issues the invitation. For example, our trip to Great Britain was at the invitation of the government. If Etibar's frequent trips to Turkey are not personal, it is whoever invites him.

*Lezghin Leader Speaks at Meeting With Aliyev

954K0551B Baku AZERBAYJAN in Azeri 22 Feb 95 pp 1, 2

["Speech By Ali Musayev, chairman of Samur Lezghin National Center," at Aliyev meeting with Lezghin community; place and date not given]

[FBIS Translated Text] Distinguished President! Speaking in the name of the Samur Lezghin National Center as the representative and defender of the interests and rights of the Lezghin population in the Azerbaijan Republic, we thank you for taking the time to receive us. In the words of the people, we express our respect for you as the embodiment of our republic and wish you health, long life, and success.

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The basic questions to be raised at today's meeting fall into three categories: social policy; the economy; and culture, education, and science. The most important of the social political issues today is the border question. Applying the rigid border regime between the Dagestan Republic of Russia and the Azerbaijan Republic is juxtaposed to the question of searching for a way out of a situation in which both Lezghins and Azerbaijanis are living on both sides of the border. Lezghins on that side of the border are unable to meet with those on this side of the border: parents on that side of the border and their children on this side. We want your help in resolving this question. I am aware that this is a very difficult question for the Azerbaijan Republic—I mean the economic blockade of Azerbaijan.

The question of Lezghin representation in parliament has come up in connection with parliamentary elections in the Azerbaijan Republic. Officially, there are close to 200,000 Lezghins, but in fact the number is greater than this. We would like that while a law is prepared connected with the elections the question of the representation of national minorities in parliament be raised.

When police opened fire on unarmed people causing deaths and serious injuries in Piral village in Gusar Rayon, the rayon population held a meeting. Dissatisfaction reached such a point that the buildings of the community police administration and the municipal government were stoned. In July of the same year, an armed and armored special police swat team and participants at an angry meeting in Gusar city stood in confrontation with one another. Only your great patience and efforts, the efforts of a state commission headed by Abbas Abbasov, first deputy prime minister, and the help of the Samur Lezghin National Center prevented a clash.

At that time it was promised to those who attended the meeting that after things had calmed down, a state commission would clear everything up objectively and cause the guilty to be punished. One has to say that this state commission has, up to today, discussed nothing. In any case, we did not take part in it. I believe that as the result of this, the rayon's police and procuracy organs were doing what they thought they had to. Even now the rayon procuracy misuses its authority. Some officials of the rayon's municipal government demonstrated that they were not at the necessary level. We want a meeting of the state commission to be convened and this question examined.

In 1992 the president of Azerbaijan signed the decree "On Defending the Rights and Freedoms of National Minorities Living in the Azerbaijan Republic and State Aid for Developing Their Languages and Cultures." One can say that this decree has not been implemented.

Respected president, one of your specialists graduated from this fa[illegible] in history as you did. As is known, in the 18th ce[illegible]ry the Lezghins played an outstanding role in establish[illegible] defending the Khanate of Karabagh. There are many historical documents on this. Today the Lezghins are actively participating in defending Karabagh. We want to draw your attention to the question of giving this participation the necessary weight. The discussion concerns Arif Hajybey oghlu Tahirov, who lost both legs in the battles. We want you to order the state to give him both spiritual and medical aid.

In addition to this, I wish to draw your attention to two new items. It is true that both of these items have been submitted to the Ministry of Defense. One of them concerns Senior Lieutenant Behram Letif oghlu Aghakishiyev who serves in the intelligence service of the "N" military brigade. He was recommended for a commendation by the command of this brigade, but no one has examined this recommendation yet. We discussed this document at the Lezghin National Center and want you to look at this issue. Do not say that only Lezghins raise these questions. The father of Kerimov, Ulfet Elekber oghlu, has asked us about his son who died heroically in the battles for Karabagh. There are recommendations about this youth. The mother, sister, and brothers of this soldier say that the majority of those who were fighting with him were also Lezghins. They want us to pass this on to the president if possible.

Respected president, the Azerbaijan Republic is also the homeland of Lezghins. Some press organs, representatives of scientific-research institutes, and intellectuals act as if only Azeri Turks live in the Azerbaijan Republic, as if there are no other peoples and never were. They are also trying to get this view out to representatives of foreign countries. It has reached such a point that some superficial intellectuals do not use the word "Lezghins" but use the term "Dagestani peoples," as if the Lezghins came here from Dagestan. I want them to be aware that the territory of the Azerbaijan Republic is also the fatherland of the Lezghins, that they are natives of this land, that they take pride in this fatherland and defend it, and that they take part in its sorrows and joys just like all the other peoples of the republic.

Under the conditions of the economic crisis into which the republic has fallen in recent years, the situation of the Lezghins, especially those in rural areas, has significantly worsened. From this point of view, an increase in the attention given to implementing economic development programs in these rayons is desirable. In our opinion, one of the ways out is by establishing a free economic zone in the northern rayons of Azerbaijan and the southern rayons of Dagestan. This question is real. It strikes me that if it is possible, broad prospects for the Azerbaijanis in Dagestan, for the Lezghins, and, in general, for Azerbaijan's economy, would be opened up.

The Lezghin population in the cities of Baku and Sumgait and in Gusar, Khachmaz, Guba, Gebele, Oghuz, Ismailli, Goychay, and other rayons where the Lezghin population is clustered want to hear radio programs and watch television programs in their own language. One needs to note that from 18 January 1993, the Araz radio

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program carried two such 15-minute programs a week, but it is necessary to say frankly that these programs do not meet the demands of the day. It would be better if these programs were broadcast for 30 minutes a day.

The Lezghin people have their own printing house that publishes the works of the people, their folklore, their art, and their history written with glory on every page in the Lezghin language. The Lezghin language is taught in a number of secondary schools, but the work of training cadres in this sector has been unsupervised. Books are brought in from Dagestan and Mahachgala. The question of training highly educated cadres for language, literature, history, and journalism could be resolved by attracting the needed specialists into this work on the basis of the pedagogical school which is active in the city of Gusar. We want the necessary textbooks to be published in our own republic. Occasionally Azerneshr publishes the works of Lezghin poets and writers. It would be useful if it were also to publish textbooks.

One of the difficulties of the Samur National Cultural Center is the question of publishing the newspaper SAMUR. Since June of last year, publication of this newspaper was stopped due to a lack of funds. Because of your attention, close to 50 million manats were allocated for the culture and education of national minorities. Close to 3 million manats were given to the newspaper of the Samur National Lezghin Cultural Center, but that money is gone. We want to publish this newspaper on a weekly basis. This newspaper is also needed to cast light on the policy followed by Azerbaijan's leadership and the present situation of the republic.

Respected President, there are many of us appealing on behalf on the Lezghin national center, but we have no building in which we can locate. There have been many who carry out presidential orders who promised this, gave orders for this, but without result. Our hopes are in you.

It needs to be said that the Lezghin people have great hope and regard for you. You know that during the earlier presidential election the Lezghins did not cast one vote for him [not further identified], but when you ran for president the Lezghins were behind you 100 percent. The Lezghin people's faith in you still remains. Although political games are proceeding in various directions throughout the republic, we recognize that you are the only politician who can pull Azerbaijan out of its present difficult situation.

*Islamic Party's Jerusalem Day Activity Highlighted

954K0551C Baku AZADLYG in Azeri 28 Feb 95 p 5

[Article by Kenan Kazimoghlu: "Is There No Special Situation for the 'Islamists?'"]

[FBIS Translated Text] Last Friday a meeting devoted to Jerusalem Day was held at the Tazepir Mosque. Thousands of Muslims, especially Shiites, throughout the world spoke out demanding that Jerusalem be returned. The Islamic Party organized the three-hour meeting that began after the noon prayer. Children studying in the medrese also took part in the meeting. A 15 year old wearing a green turban passed out a picture with someone's face on it to those gathered there. I also received one of them. I looked at it and saw that it was a portrait of the Iranian spiritual leader Khamene'i. Khamene'i's special representatives in Baku, the Ayatollah Sabiri Hamedani and Mr. Tahiri, the Islamic Republic of Iran's representative for secular affairs in Azerbaijan, also took part in the meeting.

One of my colleagues asked me whether Jerusalem Day was also being marked in Yerevan where the 60th anniversary of Iran's revolution was being noted with such a hullabaloo? I said maybe.

The leaders of the Islamic Party called on Muslims to "unite in the struggle against the Satanic forces of American imperialism and Israeli aggression." The Russian Empire, one could say, had been forgotten. Forgotten? Slogans like "We Will Return Jerusalem," "Death to Salman Rushdi!" and "The Masons Serve the Devil" abounded.

I would note that this is the third year in which Azerbaijan's Islamists have marked Jerusalem Day. Last year they held a loud demonstration in front of Israel's embassy, and this year they burned its flag. This year's action was relatively calmer than last year's.

Experts believe that despite the efforts of the Islamists, the Shiite radicals have not struck roots in Azerbaijani society. Islam, which completely rules our customs and traditions, plays a role outside of politics. Once, the Bolshevists had put Islam into an almost hopeless situation. Experts believe that the impoverishment of the population and a war which has lasted for years would sooner or later cause an increase in religious feelings among the population. In this matter the help and efforts of the founders of Iran cannot escape attention, and most of the leaders of the Islamic movement in Azerbaijan do not deny this. Unfortunately, the fact that the democratic values of the West have fallen has given a stimulus to this complex process. Today the government has openly joined this game of Islam. This is obvious. For example, according to the parties in Azerbaijan, if an electoral process is held, the Islam Party would collect at least 200,000 signatures. It has remained a secret until this day that the Islamic Party [AIP] was organized and registered in the time of the Soviet government when religion was separate from the state. Also, the AIP was the only party to get permission to hold a mass meeting during the rule of the special situation. It even had announcements printed in the newspapers beforehand.

The Islamic movement in Azerbaijan is not a unified or a single process. Although it is not apparent at first glance, there are sharp contradictions among several of the Islamic groups. For example, there are real contradictions between mullahs active in various regions; between Sunniism, which is not strongly represented in

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Azerbaijan, and Shiism; between religious structures which have been politicized by pure Koranists who consider party divisions to be forbidden; between the young Islamists and the Tovbe movement; and between the Islamic Party and the Transcaucasian Spiritual Administration. At one point Allahshukur Pashazade, who heads the spiritual administration, left the meeting during its height, got into his Mercedes, and went to the administration. There, measures passed at a roundtable devoted to the issue of returning prisoners of war and hostages who had been taken to Hankend and Yerevan had to be taken.

A number of those gathered at the meeting knew nothing about the city of Jerusalem or the Al-Akhsar mosque, one of the most sacred places of Islam. It is interesting that the leaders of the Islamic Party do not conceal the fact that they are less educated by present standards and seek to attract the ranks of those of a higher level.

A football team consisting of youths from one of the villages around Baku attended the meeting en masse. While it surprised me at first that religion would enter the sports sector, we later learned that this was the first visit by the youths to the mosque and that the reason for their coming was not religious faith but their desire for supporters. At the same time, there is the question of the Islamic Party's sponsorship of a football team.

Observers indicate that there is a significant difference between true Islam and the Islam being presented. Here a kind of ambiguous picture strikes the eye. It is true that Islam has possibilities in Azerbaijan, but these possibilities, as far as the Islamists say, are not broad. One simple facet strikes the eye: the Islamists give interviews with great enthusiasm, and they participate in picture taking. Earlier, however, religious believers stayed away from cameras and considered it a sin to have their picture taken. During the meeting I became interested in the opinions of a German director on the influence of Islam in Azerbaijan. The German guest expressed how impressed he was by what he saw. It is an open question as to whether this impression was the result of the many photo sessions and interviews he had seen there.

Later, I went out on the street. I joined a great wave consisting of maybe hundreds, maybe a thousand people. One thing I understood exactly: while politicized religion is active among us, it is not yet dangerous.

Georgia

*Moscow-Backed Ajaria Strongman Portrayed

95UM0379A Moscow MOSKOVSKIYE NOVOSTI in Russian No 21, 26 Mar 95-2 Apr 95 p 11

[Article by Akakiy Mikadze, MOSKOVSKIYE NOVOSTI correspondent in Georgia: "Colonel Among Generals"]

[FBIS Translated Text] During Zviad Gamsakhurdia's ascent to power Ajaria's leader worked in Tbilisi as the republic's deputy minister of everyday services for the public. However, their relations were not confined to this. At that time a narrow circle of people already knew about the friendship between Gamsakhurdia and Abashidze. The point is that as long ago as the 1920's the writer Konstantin Gamsakhurdia, the president's father, and Memed Abashidze, Abashidze's grandfather, a well-known public figure and the first chairman of Ajaria's National Assembly, had a family friendship.

Appointment

"One's own" man in Ajaria was very needed. After the abolition of the South Ossetian Autonomous Region, which was gripped by separatist sentiments, representatives of Georgia's national liberation movement strove for the establishment of a unitary state and prepared the ground for the abolition of Ajar autonomy. Naturally, Abashidze could not support such a radical course. The matter came to a tragic outcome.

On 30 April 1991 at 2 a.m. Nodar Imnadze, deputy chairman of the Supreme Soviet, speaker of the "Round-table" bloc, burst into the office of Abashidze, chairman of the Supreme Soviet, with an assault rifle in his hands and opened fire at those present. The wounded Abashidze with retaliatory fire from his pistol mortally wounded the instigator of the shoot-out. This tragic outcome cooled the ardor of advocates of the abolition of the autonomy and strengthened the position of the new leader.

A little later, however, as a result of multiparty elections, a situation emerged in Ajaria, which did not guarantee Abashidze the chair of chairman of the Supreme Soviet. Then Gamsakhurdia himself came to the first parliament session and demanded that deputies hold an open vote and vote only for Abashidze. The president included insubordinates in the camp of the homeland's enemies and traitors. Deputies did not support Abashidze's candidacy twice. However, on the third attempt he was elected.

Abashidze "had a hard time" with the rebellious parliament for approximately another year. Then he followed a proven and tested path. He appointed some rebellious deputies to important posts. Then he completely dissolved the legislative body and transferred its powers to the Presidium of the Supreme Soviet.

President's Favorite

President Gamsakhurdia found out about the Moscow events of August 1991 in the high-mountain settlement of Kazbek, where he vacationed with his family. Aslan Abashidze reported this to him over the telephone. Georgia's frightened leader did not dare to return to Tbilisi and sought refuge in mountains. It was Abashidze who urged him to accept all the demands of members of the State Committee on Extraordinary Events, who

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insisted, first of all, on the disbandment of militarized formations. Soon they received General Shuralev, USSR deputy minister of defense, in Tbilisi and agreed to all the points of the ultimatum.

Moscow, first of all, demanded the disarmament of the national guard commanded by Tengiz Kitovani. He did not obey the president's edict and under the pretext of training withdrew members of the national guard to Rkonskoye ravine located 60 km away from Georgia's capital. From that day an open confrontation in the camp of "followers of Zviad" began, which subsequently led to the overthrow of the first president. Abashidze's position with regard to Gamsakhurdia also changed. During the coup in December-January 1992 Abashidze refused to help his patron. He was one of the republic's few leaders, who did not send armed soldiers to protect the bunker of the government building. On the day of Gamsakhurdia's flight from Tbilisi he telephoned Dzhabe Ioseliani, leader of Mkhedrioni, and congratulated him on his victory. Abashidze asked him not to begin personnel reshuffling in Ajaria. In confirmation of his loyalty he sent 250 Kalashnikov assault rifles produced in Romania to Mkhedrioni members and distributed 2,000 such barrels to his relatives in Ajaria in case of a possible invasion of members of Kitovani's national guard. Well aware that in Tbilisi he had a menacing opponent in the person of Kitovani, Abashidze began to seek contacts with Moscow.

Moscow's generals supported Ajaria's leader. The Batumi sea port and custom house—the only window in the former USSR into Turkey—became the bait for them. Under conditions of the collapsed Union it became possible to engage without control in the export of products of the military-industrial complex and of the natural resources of the Soviet Union. According to various data, in recent years products worth several billion dollars were exported through this loophole and not a single cent from the profit was deposited in Russia's or Georgia's accounts. Was it not for these services that the RF Ministry of Defense conferred the title of colonel on Abashidze? He shows the gilded shoulder-straps to visiting quests with pride.

Ambitions

Having gradually strengthened his positions, Abashidze surrounded himself with close and distant relatives. At the same time, however, he did not forget to renew his retinue periodically. For example, he imprisoned brothers Asanidze, one of whom worked as the mayor of Batumi and the second headed Khelvachaurskiy Rayon, accusing them of preparing an attempt upon his life. He transferred Iliya Tsulukidze, chief of the local security service, to another job for "dulling vigilance," but entrusted him with the revival of the regional department of the Communist Party of Ajaria. Abashidze's slogan "rich people—rich Ajaria" was embodied in the fact that two banks, which had basic currency accounts in Europe and America, were established there under his direct management. In 4 years of his rule in Ajaria 92 motor-vehicle and railroad bridges and nine secondary schools were built with extrabudgetary funds. The construction of tennis courts with due regard for all international standards is being completed. An opera house was opened, on the stage of which three performances have already been held. Every new production costs tens of thousands of dollars. To this day it remains a riddle for many from where money is derived for such a large-scale activity.

Various sources confirm: Dividends come not only from the Batumi sea port and custom house, but also from other spheres. In particular, at the beginning of 1992 a total of 55 ships were listed on the balance sheet of the Georgian Shipping Company, but today their number has decreased to 18. The rest, as unsuitable for shipping, were sold or transferred to private companies for long-term leasing. Judging by the selection of managerial personnel, these companies are controlled basically by the first person of Ajaria. If the situation continues in this way, there is the danger that in the very near future Georgia will remain without a merchant fleet.

There are also other versions of the Ajar leader's enrichment. Ajaria is the transit corridor for the transport of drugs to Europe. One and a half years ago the CIS detained a cargo of dry morphine valued at 800 million dollars in the city of Trabzon. These goods crossed the Georgian-Turkish border in Batumi.

'Charity' in the Name of Survival

It is obvious that the Ajar leader, despite his considerable fortune, does not throw away money. Ignoring Tbilisi (he was not even once there after Gamsakhurdia's overthrow), he relied chiefly on Moscow and achieved considerable success. For example, bypassing Shevardnadze, he achieved the arrival of Pavel Grachev, Russia's minister of defense, to Batumi. He made his Tbilisi apartment available to General Fedor Reutu, commander of a group of Russian troops in the Transcaucasus. General Vladimir Semenov, commander of Russia's land forces, is in Batumi more often than among the forces. His last visit to Abashidze was in January of this year, when the Russian Army stormed Groznyy. Abashidze himself does not hide that he is well received in many offices in the apparatus of President Boris Yeltsin. It is also known that not long before the fall of Sukhumi, in the summer of 1993, he agreed to replace Shevardnadze, whom very many people in these offices do not like. The circumstances changed only after Shevardnadze's unexpected consent to Georgia's entry into the CIS. Abashidze was outside the game.

Most likely, Russia's interests in Georgia are above the ambitions of the Ajar leader. He especially began to worry after the arrest in Kiev of Loti Kobaliya, commander of armed formations of "followers of Zviad." It follows from his testimonies that during the Georgian-Abkhazian war the Sukhumi regime enjoyed the support of Russian generals and of the Ajar leadership.

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Not long ago a new blow was struck at Abashidze: General Vladimir Gladyshev, commander of the Russian division located in Batumi, who was a kind of shield for Abashidze, was relieved of his post. General Fedor Reut, who vacated the Tbilisi apartment, also gave a sign that the rules of the game changed. Igor Georgadze, chief of Georgia's security, whom the Ajar leader publicly accused of preparing terrorist acts against him, turned out to be in the enemy camp. At the same time, representatives of the opposition from Tbilisi recently have begun to visit him frequently with promises of support.

Not long ago Shevardnadze flew in to see the Ajar leader and, in order not to cause his suspicion, he flew in without guards. After the meeting Georgia's head publicly announced that Aslan Abashidze was his friend, who will always have support. Especially after the edict on the declaration of Batumi "porto franco"—a free economic zone. However, there is also another opinion. It lies in the fact that, if Shevardnadze does not give the go-ahead for the deployment of Russian troops in Georgia and does not sign the appropriate agreement, Aslan Abashidze can prove to be a trump card for Russian generals.

*National Bank Accused of Establishing Dictatorship

954F2102A Moscow SEGODNYA in Russian 14 Apr 95 p 4

[Report by Revaz Sakevarishvili, under the "Neighbors" rubric: "Georgian Banks Face the Threat of Liquidation: The World Bank Grants the Republic a $75 Million Rehabilitation Loan"]

[FBIS Translated Text] Tbilisi—In the beginning of April, the final decision was made on merging three former state-commercial, and now joint-stock and shareholder commercial, banks: the New Georgian Bank, Eximbank, and Industry-Bank. The edict to this effect was signed by Eduard Shevardnadze two weeks ago.

The boards of directors of the three banks began to hold consultations and discuss the details of the upcoming merger. The news of this created panic in the banking system, since a merger of three giants, which are afforded special treatment by the government, runs counter to anti-trust principles. Experts believe that this creates a danger that the state will arbitrarily allocate clients between this association and several more banks that own the bulk of the republic's foreign currency funds. In this case, healthy competition is completely impossible, which in turn will result in the liquidation of so-called medium-sized banks.

The course chosen by the head of the state and the National Bank's president causes particular fears among owners of private commercial banks. In their opinion, the National Bank is striving to establish a dictatorship, enabled by its ownership of foreign currency funds. In addition, the question of a commercial bank's participation in the interbank foreign currency exchange is decided by the National Bank rather than by exchange's leadership. According to preliminary forecasts, two-thirds of the currently registered banks will soon go under, since they will not be able to comply with the National Bank's new requirements.

While banking fever is raging in Tbilisi, in Washington the World Bank's board of directors made a final decision to grant Georgia a $75 million rehabilitation loan. The protocol of the loan's acceptance was signed by Tedo Dzhaparidze, Georgia's ambassador extraordinary and plenipotentiary in the United States of America. According to Georgian Deputy Prime Minister Teymur Basilia, no serious restrictions are envisaged on the use of the loan. And the mechanism of its utilization is as follows: Georgia will receive monthly an amount equal to the value of products imported into the republic. It is noteworthy that the count begins from 1 December of last year rather than April, which already enables the receipt of $15 million. The loan terms are interesting. Its repayment period is 35 years, at 0.75 percent interest, with repayment deferred for 10 years. Thus, repayment will begin in the 11th year. The only strict requirement imposed by the World Bank on the Georgian Government is that this loan should not share the fate of the previous ones, most of which were used in ways other than intended.

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Latvia

*Foreign Minister on Latvia's Political, Economic Problems

954K0547A Riga NEATKARIGA CINA in Latvian 1 Mar 95 p 12

[Interview with Valdis Birkavs, Minister of Foreign Affairs, by Vladislavs Podnieks: "A Word from the Minister: On Latvia's Foreign Affairs"]

[FBIS Translated Text]**Minister of Foreign Affairs, Valdis Birkavs**

Born in 1942 in Riga. Studied at the Riga Industrial Polytechnical School and graduated in 1961. Enrolled in the Law Studies Department at the University of Latvia, simultaneously studying in the philosophy division of the History and Philosophy Department. Graduated from the Law Studies Department in 1969.

Worked in the Department of Justice, Court Expertise and Criminology Laboratory for 17 years. At the same time, he served on the faculty of the University of Latvia. He earned the degree of Doctor of Law Sciences.

He was elected to the Supreme Council in 1990, was the Deputy Chairman of the Legal Commission, then—Deputy Chairman of the Supreme Council. He was elected to the Fifth Saeima, becoming Prime Minister. Eventually, he was also performing the duties of the Minister of Foreign Affairs. He is now—Minister of Foreign Affairs and Fellow of the Prime Minister.

His wife Aina is an accredited lawyer, and his son Gatis—a photographer.

Valdis Birkavs' interests include tennis, sailing, downhill skiing, and computer technology. After becoming a statesman, his leisure activities have been relegated to another plane. What little time is left, he devotes to playing tennis.

Regardless of the case, the Ministry of Foreign Affairs has been fortunate: it has been led by some colorful personalities. First, there was Janis Jurkans. Then—Georgs Andrejevs. When he stepped down from his position, the duties were assumed by the Prime Minster at that time, Valdis Birkavs. Last year, with the formation of Maris Gailis' government, he became the Minister of Foreign Affairs. Thus—a new minister. Along with this, he has been given all rights included under the *Laws and Regulations* with regard to traditional, as well as other questions. It should also be noted that he is the oldest among the new ministers. And he started performing at least some of his duties earlier than the other ministers. In my opinion, with these rights of seniority, he could also evaluate for us his new colleagues. But, we started the conversation as we do with all new ministers.

[Podnieks] What is being saved from the content, style and methods of the previous Ministry's activities, and what is being changed?

[Birkavs] While I was performing the functions of Prime Minister and also assuming the duties of the Minister of Foreign Affairs, I was unable to become engrossed in all aspects. There was neither the time nor the opportunity. When I started working solely as the Minister of Foreign Affairs, I could concentrate all my energy on only one Ministry and I immediately came to the conclusion that there is a great deal I am not satisfied with. I was accustomed to a dynamic working style, quick and precise in carrying out orders. I started by arriving at various times of the night to check up on how the women on duty were working. I asked one of them: "What would you do if you received news that a certain nation declared war on Latvia?"—"I would call Bindulis", she said. I should mention that Mr. Bindulis works in the custodial section and was the direct supervisor of these women on duty. This is why I first reorganized the duty system. There had to be constant contact with me, with all the management in the Ministry.

Second, we formed a planning group. I my opinion, this was a very significant innovation, because the enormous amount of information that we receive every day must be carefully processed from our political strategy and tactical viewpoint. The planners are of great assistance to the managers, by evaluating the situation and placing the accents in the proper places. In addition, according to my orders, this group analyzes the resonance of internal political events on external politics. And at least once per month, I report to the National Security Council on what external political and internal political events threaten Latvia, threats to its prestige, development. If just with regard to the situation with *Lainbank*, the drivers strike at the Terehova border crossing, or the careless remarks made by officers of the Riga Council. We are also filling in the internal structure of the Ministry, the allocation of duties and order of reporting. A topical and very necessary innovation is in diplomatic career planning.

A diplomat serves in his position for up to four years. Then there must be a rotation. This has not occurred in Latvia yet. But we are preparing for it. In order for this rotation to also be effective, for every diplomat to know his future, we are developing worker career plans.

I do not believe a major rotation is necessary, changing all envoys just before the Sixth Saeima elections. I just want to prepare for such an event. It should be anticipated that the new government will have its own views on staffing, about possible diplomatic changes. But let this happen in the framework of a well planned rotation, without a decline in the diplomatic work quality.

In 1996, we are preparing to open an embassy in Japan. People are already being prepared for the work today, learning the Japanese language. An embassy will open soon in Italy. The candidates know this and are learning Italian.

Another piece of news: we are getting the consular work in order. The pre-war consular regulations were renewed. All of the instructions have been worked out. Document

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legalization, notary activities have been started at the embassies and consulates. At the end of March, we expect to gather all consular workers to discuss questions on improving consular activities.

Until now, meetings of ambassadors have taken place once a year. In the future, we will hold them twice a year. This is the first time we have also discussed Eastern policies. And all directly involved envoys have participated.

A foreign policy concept has also been created. It has been discussed and sent to the Saeima. Among other things, this is the first of its kind to be created in Eastern Europe. Such a task has also been foreseen for the Ministry of Foreign Affairs with the Cabinet of Ministers *Declaration.*

[Podnieks] But haven't others become lost in their own thoughts in the meanwhile?

[Birkavs] I don't know. Maybe I don't have all of the information. But the Estonians have said: my, but you certainly have ambitions... I can say that the document is very sensitive and can easily provoke problems in relations with other nations. Maybe that is why others are more careful than we are, and don't publish drawn up documents.

There will be another new document coming out in March—the foreign trade concept. In my opinion, there is much that needs to be basically reorganized in foreign trade.

I would like to stress that we are working as a collective organization. We meet every day at eleven o'clock—the state ministers, state secretaries and their deputies, heads of the Ministry's departments—and review all current questions. Decisions are a collective job. Naturally, this does not remove from me the political responsibility for the correctness of this collective decision. My opinions sometimes differ from the viewpoints of the Ministry's workers. However, they are always discussed.

[Podnieks] Covering the entire world with Latvian embassies will not be possible, at least not in the immediate future. It is apparent that crosspoints will have to be selected, our primary interests. Where are embassies being planned and prepared?

[Birkavs] We will open an embassy in Italy this year. That is especially necessary for two reasons. In order for us to activate our cooperation with Southern Europe and form close ties with Italy, which will be the presiding nation in the European Union. We can *cover* a few more Southern European countries from Italy.

We have started to work seriously in order to open an embassy in Norway. We have to equalize our relationships with the Arab world, and therefore, at the end of the year, we will probably start working on an embassy in Egypt.

I have assigned an important analysis, which would create the possibility for Latvia to be represented in all European countries by so-called nonresident envoys. For example, the envoy to Austria would also be the envoy to Hungary and Switzerland. Soon, he will also have be accredited by Liechtenstein. In the same way, the field of activities will also be increased for other envoys. We must actively work in every country, where it is necessary to do so for Latvia.

[Podnieks] What is of particular concern, thinking about the future?

[Birkavs] Ill-considered reports, an ill-considered choice of words can sometimes, in one moment, destroy what we have been, so to say, "fluffing up" for months on end. Diplomacy is still a delicate matter.

We must come to an agreement on foreign policy, at least in a general direction. The President of our nation has spoken about national compromise in foreign policy. That is very important. We must also have society agree that we have no other direction but one towards the European Union, in integrating with it, because that corresponds to our question of security. For this purpose we have created the foreign affairs society.

For this purpose, we are also cooperating with other Ministries. The work of the Ministry of Foreign Affairs also includes regular meetings with various Ministries: the Ministries of Defense, the Environment and Regional Development, Agriculture, and others, to determine where the sore spots are located, where we could help, and what we would have to do together, in order for the nation to be united in foreign policy.

It is never acceptable to us that high officials travel to foreign countries without informing us of this. We are interested in having all Ministries work towards one foreign policy goal—integration. And that is a sizable job.

Likewise, I would like to stress that we are forming a European integration bureau. However, it is proceeding slowly, and I am not pleased with that, but it is still moving ahead. This bureau will be the main coordination instrument on the road to the European union.

We have seriously started to work on the program *Latvia in the world* and the *Latvian diaspora.* Other Ministries will also have to be involved in this. We don't want to be greater than the others, nor smarter. The only thing we want is for the foreign policy to be consolidated.

[Podnieks] What laws and decisions need to be adopted, from the viewpoint of the interests of the Ministry of Foreign Affairs?

[Birkavs] Basically, all the laws and decisions have been adopted. We have followed them, seen that they work, also made some improvements. In my opinion, some more has to be done with the law on international agreements.

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But we have high hopes for the law on former USSR citizens. We need that one very much.

[Podnieks] The activities of the Ministry of Foreign Affairs involve trips to foreign countries. The prevalent view is that all our people do is think about how to take a trip. What is your opinion?

[Birkavs] Do you know what my problems are? People don't want to travel. They want to work here, because this is where the work has accumulated. Naturally, that is not a major problem, but I do feel it. It is hard to find people who would like to leave to study diplomacy for four to six months. It turns out that they must simply be forced....

Do you remember when the travel used to be to Moscow, St. Petersburg, Kiev? Especially—to Moscow. We now must head in the direction of the West. If that is not done, then nothing will happen in our interests! And that is why we must travel. With our own thoughts, our own ideas, our own position.

I am personally convinced that the world is quick to learn what we, here, in this quite corner, are doing. One councilman even said that someone here can sneeze. And in a moment, the world knows about it. Naturally, we have to deal with this. We are now living in a different world. No longer in the closed Soviet Union.

[Podnieks] Latvia needs foreign investments. They must be *hunted down* by the Latvian Development Agency. How is cooperation with it coming along?

[Birkavs] The Latvian Development Agency has its closest ties with the foreign envoy corps here and our envoy corps abroad. Many ambassadors and foreign guests from the Ministry of Foreign Affairs head directly to the Latvian Development Agency. We have so many common programs that we have considered whether they shouldn't be under the jurisdiction of the Ministry of Foreign Affairs. Since we are working on the concept of foreign trade development, we will study this question very carefully, together with the Ministry of Economics. This also must be done because trade relations with the CIS countries are under the Ministry of Economics, while those with the West, with other countries—under the Ministry of Foreign Affairs. The foreign trade concept must provide clarity on who, where and what is being done.

[Podnieks] What duties do you have to perform directly as Fellow of the Prime Minister?

[Birkavs] I have to lead the Cabinet of Ministers' Foreign Affairs and Security Committee. It reviews all questions on defense, foreign and internal affairs. Its meetings are held once per week. The Ministers of Defense, Foreign Affairs, Internal Affairs and the Department of Justice participate. We prepare questions for review by the Cabinet of Ministers.

[Podnieks] How do you evaluate the job of the new ministers?

[Birkavs] In a variety of ways... I will answer this sensitive questions as follows: we work as a team. And that is the main thing. Along with that, individual characteristics usually remain behind with the staff and come to the surface only in critical situations. Like when Ministry interests come in sharp conflict. That could also be said about the course of budget discussions. But M. Gailis conducted them so efficiently that the Ministers didn't even get a chance to argue among themselves. And we can be pleased with that.

[Podnieks] At what moment on February 10 in Strasburg, when Latvia was admitted to the European Council, did your happiest experience occur?

[Birkavs] The flag raising and the anthem. Until then, it was all work for me, no time to think about emotions. But at that moment, there was a lump in my throat and probably a few tears fell...

[Podnieks] I would also like to hear your reply to this question: what accomplishment in your position as Prime Minister has given you the greatest joy and what do you feel is your greatest mistake?

[Birkavs] That is a good question. I can answer that very easily.

I am quite satisfied with the direction the nation is going in foreign policy. It was very dynamic. The withdrawal of the Russian army. The preparation of the conditions for accepting Latvia into the European Council, the NATO Partnership for Peace. Acceptance into the Western European Union. The free trade agreement with the European Union. Adoption of the citizenship law. In other words, there is something to look back on.

The greatest mistake... I think there were enough mistakes, but the direction was absolutely correct. The greatest mistake I see as being that, which in the end turned out also to be the greatest accomplishment, and that was the strong desire to move ahead with reforms. As quickly as possible, without looking right or left. Only straight ahead! And that annoyed many. But now I see that something was also achieved.

[Podnieks] What would you say to those who are still sitting on their school benches, but dreaming about a job in diplomacy?

[Birkavs] I think that everyone who is still on a school bench today dreaming about a diplomatic career has the full possibility to start it very early. The only necessity is to keep learning languages, and furthermore—all kinds. Just English has not been enough for some time now. I am very sincere about this: learn French, Spanish, the more exotic languages! And everyone of you, who will be truly qualified for the job, will have a place open in the foreign affairs system. We will need hundreds, even

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thousands of people. That is very promising. But... we need only the best, the very best...

[Podnieks] What is the picture if we compare the Ministry of Foreign Affairs status before the war with the present? Has an equilibrium been achieved, or not yet?

[Birkavs] I cannot give a precise answer as of yet. This I would have to research. But I can confirm that: at that time, the Ministry of Foreign Affairs was among the largest and most effective. Diplomatic work took place in many nations. Just to give an example: I found a document for a piece of land that was purchased for an embassy in Brazil.

I would like to stress that every lats invested in foreign affairs, will produce money in some manner, and a significant amount. And yet we are the Ministry with the least financial assistance. We are also asking for the lowest increase, knowing the nation's monetary problems. One hundred more people in the Ministry of Foreign Affairs, five million more in expenses for the Ministry of Foreign Affairs—and we could insure such a name for Latvia in world—shiny and beautiful! But there isn't that kind of money and, mainly—it is not the name that is important. Life should become shiny and beautiful in Latvia!

[Podnieks] And finally—your axiom, for leading the Ministry of Foreign Affairs?

[Birkavs] Step by step, relentlessly, purposefully, wisely bringing Latvia into the Western world, saving and developing everything national, everything Latvian.

*Adamsons Accused of Improper Dealings on Naval Contracts

954K0549A Riga RIGAS BALSS in Latvian 3 Mar 95 p 1,3

[Article by Ints Stauers: "Was Captain Adamsons a Lobbyist for Businessmen? The Chief of Criminal Police Promised 'Something Delicious'... Here it is!"]

[FBIS Translated Text] Last week, the head of the Criminal Police, Aloizs Blonskis, promised that Internal Affairs staffers will be ready, every week, to "treat" reporters "to something delicious", and these delicacies, apparently, were supposed to be the new triumphant reports about the recurrent miracles performed by the police. But it turns out that this week, the delicious morsel for the mass media and busy residents could turn out to be a story dragged into the daylight, from the not so distant past, about the Minister of Internal Affairs, J. Adamsons, himself, and his direct association with deals in the business world.

As the thread of the "Lainbank" scandal is unwinding, these days, they are again discussing J. Adamsons' business association with the present Saeima deputy, "Daugava" Bank Chairman of the Board, E. Kaza. Let us recall that right after "Daugava" Bank's submission to the Investigative Department of the Ministry of Internal Affairs, and not from "the clear blue sky", two "Lainbank" officers were arrested. Did J. Adamsons really tell his subordinates to carry out a request by his old friend? This question will not sound so strange if we recall that both men had dealings with some mutual matters even before the "Lainbank" scandal.

In Thursday's edition of "Diena's Business", and yesterday in "Diena" there appeared a different version on the participation of the present Minister of Foreign Affairs in the distribution of leasing rights for Bolderaja naval port in 1993, and a new term appeared, "Adamsonsgate". At that time, J. Adamsons was the Deputy Commander of the Latvian Naval Forces, and in this position, on June 3, 1993, he signed an agreement with the former "LaCon" coowner and president, E. Kaza regarding the leasing of a part of the naval port for surprisingly favorable terms. For a port which was bringing in a good profit, not even considering the much more powerful applicants (SWH, "Lido" and "Pardaugava"), it was leased for a ridiculously low sum to the enterprise "LaCon", which, with 105 lats (!), had a small capital base. J. Adamsons signature is visible on all documents related to the leasing rights of the Bolderaja naval port.

The Minister of Foreign Affairs now confirms that one and one half years ago, he signed only two or three documents in this matter, because his duties included reviewing this type of documents and related papers. "I would have to take the whole archival file and review it, because I truly don't remember," the Minister admitted yesterday.

In turn, E. Kaza reports that all documents were handled by "LaCon" Acting Director Andris Libers, and has not denied the participation of J. Adamsons in the discussion and final outcome of the matter. Adamsons, in conversations with reporters, has stressed that he will not even attempt to comment on the publicly promoted version of his association with E. Kaza and his company. However, he has decided not to seek the help of the courts in action against the promoters of this version—the newspaper "Diena's Business".

Whether the distribution of the Bolderaja naval port leasing is legal will have to be decided by the Republic of Latvia Public Prosecutor. But with respect to J. Adamsons association with an outwardly strange transaction, we hope to learn more about it from the Minister himself in the next few days. We hope it will be possible to find out how honest the present Minister was in 1993 and if someone has started a campaign to discredit J. Adamsons, using the press as a vehicle.

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